

**School District of the City of  
Dearborn, Michigan  
(includes P-12 and  
Henry Ford Community College)**

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**Financial Report  
with Supplemental Information  
June 30, 2008**

October 15, 2008

To the Audit Committee  
School District of the City of  
Dearborn, Michigan and  
Henry Ford Community College

We have audited the financial statements of the School District of the City of Dearborn, Michigan ("Dearborn Public Schools" or the "School District") for the year ended June 30, 2008 and have issued our report thereon dated October 15, 2008. Dearborn Public Schools includes the activities of preschool through grade twelve (the "P-12") and Henry Ford Community College (the "College"). Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 27, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Dearborn Public Schools. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of Dearborn Public School's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of Dearborn Public Schools' compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in separate letters dated October 15, 2008 regarding our consideration of P-12's internal controls over financial reporting as well as the College's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of Dearborn Public Schools including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 30, 2008.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Dearborn Public Schools are described in Note I to the financial statements.

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. It is to that end that we inform you of the following matter:

- The College changed accounting policies related to the treatment of Federal Pell Grant revenue by adopting the most recent guidance from the Governmental Accounting Standards Board. The change defines Federal Pell Grant revenue as a nonexchange transaction and therefore it is recorded in the statement of changes in net assets as nonoperating revenue instead of operating revenue. Accordingly, this accounting treatment has been retrospectively applied to prior periods presented as if the policy had always been applied.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The actuarial calculation of employee severance liabilities for the College include estimates and assumptions that include discount rates, assumed wage increases, attrition assumptions, and estimates as to when benefit payments will be made. The liabilities total approximately \$775,000.
- The College has recorded allowances for uncollectible student and company receivables totaling approximately \$1,075,000 at June 30, 2008. This represents management's estimate of uncollectible receivable accounts and is based on past collection experience.
- The School District is self-insured or partially self-insured for various risks including property, general liability, medical, dental, vision, and workers' compensation claims. As a result, management has made estimates of incurred but not reported (IBNR) claims and recorded a liability of approximately \$3,831,000 accordingly.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no disclosures that are deemed more sensitive than others.

### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

**P-12:**

None

**Henry Ford Community College:**

- The year-end tuition revenue deferral adjustment was not calculated properly which resulted in a \$2.0 million overstatement of tuition revenue and student receivables at June 30, 2008. This was subsequently corrected by management.
- Equipment was improperly capitalized at a value other than its original cost. This resulted in a \$165,000 overstatement of capital assets at June 30, 2008. This was subsequently corrected by management.
- The allowance for uncollectible sponsor receivables was not calculated in accordance with the College's accounting policy and past practice. This resulted in a \$400,000 audit adjustment to increase the allowance at June 30, 2008.
- Net asset designations were improperly accounted for as expenditures and accrued liabilities at June 30, 2008. As a result, two audit adjustments totaling \$12.7 million were required.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated October 15, 2008.

***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Audit Committee  
School District of the City of  
Dearborn, Michigan and  
Henry Ford Community College

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October 15, 2008

***Other Audit Findings or Issues***

In the normal course of our professional association with the organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the organization's auditors.

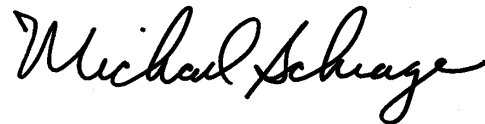
This information is intended solely for the use of the audit committee and management of Dearborn Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Jeffrey P. Dolowy". The signature is stylized with a large, looped initial "J" and "D".

Jeffrey P. Dolowy

A handwritten signature in black ink, appearing to read "Michael C. Schrage". The signature is written in a cursive style with a large, looped initial "M".

Michael C. Schrage

# **School District of the City of Dearborn, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2008**

# School District of the City of Dearborn, Michigan

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## Independent Auditor's Report

To the Board of Education  
School District of the City of Dearborn, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information that collectively comprise the School District of the City of Dearborn, Michigan's (the "School District") basic financial statements, which includes the P-12 activities and the operations of Henry Ford Community College (the "College") as part of the School District's reporting and legal entity, for the year ended June 30, 2008 and have issued our report thereon dated October 15, 2008. Those basic financial statements are the responsibility of the management of the School District of the City of Dearborn, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the School District of the City of Dearborn, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 15, 2008

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

To the Board of Education  
School District of the City of  
Dearborn, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of the City of Dearborn, Michigan as of and for the year ended June 30, 2008, which collectively comprise the School District of the City of Dearborn, Michigan's basic financial statements, and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District of the City of Dearborn, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of the City of Dearborn, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Dearborn, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified control deficiencies over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

To the Board of Education  
School District of the City of  
Dearborn, Michigan

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the control deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-C and 2008-D to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the deficiencies described in the schedule of findings and questioned costs as items 2008-A and 2008-B constitute material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District of the City of Dearborn, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the School District of the City of Dearborn, Michigan in a separate letter dated October 15, 2008.

The School District of the City of Dearborn, Michigan's response to the significant deficiencies and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Board of Education  
School District of the City of  
Dearborn, Michigan

This report is intended solely for the information and use of the Board of Education/Trustees, management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moreau, PLLC*

October 15, 2008

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education  
School District of the City of  
Dearborn, Michigan

### Compliance

We have audited the compliance of the School District of the City of Dearborn, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the School District of the City of Dearborn, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District of the City of Dearborn, Michigan's management. Our responsibility is to express an opinion on the School District of the City of Dearborn, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District of the City of Dearborn, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District of the City of Dearborn, Michigan's compliance with those requirements.

To the Board of Education  
School District of the City of  
Dearborn, Michigan

In our opinion, the School District of the City of Dearborn, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 through 2008-7.

### **Internal Control Over Compliance**

The management of the School District of the City of Dearborn, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District of the City of Dearborn, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 through 2008-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

The School District of the City of Dearborn, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District of the City of Dearborn, Michigan's response and, accordingly, we express no opinion on it.

To the Board of Education  
School District of the City of  
Dearborn, Michigan

This report is intended solely for the information and use of the Board of Education/Trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moreau, PLLC*

October 15, 2008

# School District of the City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
<b>Clusters:</b>								
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
National School Breakfast Program 2007-2008	10.553	\$ 522,641	\$ -	\$ -	\$ -	\$ 522,641	\$ 522,641	\$ -
National School Lunch Program 2007-2008	10.555	2,580,595	-	-	-	2,580,595	2,580,595	-
National School After School Snack Program 2007-2008	10.555	17,910	-	-	-	17,910	17,910	-
Total Child Nutrition Cluster		3,121,146	-	-	-	3,121,146	3,121,146	-
Student Financial Aid Cluster - U.S. Department of Education - Direct Awards - Henry Ford Community College:								
Supplemental Educational Opportunity Grant	84.007	480,995	519,868	4,919	-	504,543	480,995	(18,629)
Federal Work Study Program	84.033	287,462	278,683	120,076	-	300,173	287,462	107,365
Pell Grant Program	84.063	17,693,111	12,654,706	132,357	-	17,823,037	17,693,111	2,431
Federal Direct Loan Program	84.268	30,532,509	21,372,580	75,064	-	28,894,868	30,532,509	1,712,705
Federal Academic Competitiveness Grant	84.375	30,876	8,500	-	-	30,876	30,876	-
Total Student Financial Aid Cluster		49,024,953	34,834,337	332,416	-	47,553,497	49,024,953	1,803,872
Special Education Cluster - U.S. Department of Education: Passed through the Wayne County RESA:	84.027							
IDEA:								
Flowthrough - Project number 060450-0506		2,920,213	2,382,861	22,161	(22,161)	-	-	-
Flowthrough - Project number 070450-0607		3,168,074	2,503,566	863,054	-	1,345,853	482,799	-
Flowthrough - Project number 080450-0708		3,121,018	-	-	-	2,322,507	3,057,739	735,232
Transition services - Project number 060450-0506		2,750	29	(387)	-	-	387	-
Transition services - Project number 070450-0607		4,800	4,757	4,757	-	4,757	-	-
Transition services - Project number 080450-0708		2,410	-	-	-	-	2,133	2,133
Service Provider Self Review - Project number 080440-0708		5,500	-	-	-	1,051	1,050	(1)
Total IDEA		9,224,765	4,891,213	889,585	(22,161)	3,674,168	3,544,108	737,364
Preschool Incentive:	84.173A							
Project number 070460-0607		109,719	109,719	19,411	-	19,411	-	-
Project number 080460-0708		104,468	-	-	-	76,683	90,792	14,109
Total Preschool Incentive		214,187	109,719	19,411	-	96,094	90,792	14,109
Total Special Education Cluster		9,438,952	5,000,932	908,996	(22,161)	3,770,262	3,634,900	751,473
Total U.S. Department of Education cluster programs		58,463,905	39,835,269	1,241,412	(22,161)	51,323,759	52,659,853	2,555,345
Total cluster programs		61,585,051	39,835,269	1,241,412	(22,161)	54,444,905	55,780,999	2,555,345

See Notes to Schedule of Expenditures  
of Federal Awards.



# School District of the City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Other federal awards:								
U.S. Department of Education:								
Passed through the Michigan Department of Education:								
Adult Education:	84.002							
Project number 071120-7500227		\$ 40,100	\$ 40,100	\$ 1,471	\$ -	\$ 1,471	\$ -	\$ -
Project number 081120-8500227		40,000	-	-	-	40,000	40,000	-
Project number 071130-710317		525,900	525,900	99,317	-	99,317	-	-
Project number 081130-810317		525,900	-	-	-	519,083	525,900	6,817
Total Adult Education		1,131,900	566,000	100,788	-	659,871	565,900	6,817
Title I:	84.010							
Project number 071530-0607		5,482,446	4,844,421	1,036,137	-	1,674,162	638,025	-
Project number 081530-0708		7,653,861	-	-	-	5,728,755	6,726,997	998,242
Project number 061530-0607		967,491	967,491	203,603	-	203,603	-	-
Project number 071700-0607		289,131	249,178	56,871	-	96,821	39,950	-
Total Title I		14,392,929	6,061,090	1,296,611	-	7,703,341	7,404,972	998,242
Safe and Drug-free Schools and Communities:	84.186							
Project number 062860-0607		9,096	9,096	6,230	-	6,230	-	-
Project number 072860-0607		131,054	131,054	10,956	-	11,309	-	(353)
Project number 082860-0708		136,990	-	-	-	134,930	113,681	(21,249)
Total Safe and Drug-free Schools and Communities		277,140	140,150	17,186	-	152,469	113,681	(21,602)
Title V:	84.298							
Project number 070250-0607		32,633	32,633	4,633	-	4,633	-	-
Project number 080250-0708		35,225	-	-	-	21,893	30,491	8,598
Total Title V		67,858	32,633	4,633	-	26,526	30,491	8,598
Title II, Part D:	84.318							
Project number 064290-0607		15,291	15,291	(12,870)	12,870	-	-	-
Project number 074290-0607		61,499	12,225	(28,113)	164,584	-	10,955	147,426
Project number 084290-0708		101,161	-	-	-	59,760	88,539	28,779
Total Title II, Part D		177,951	27,516	(40,983)	177,454	59,760	99,494	176,205
Comprehensive School Reform - Project number 061870-0607	84.332	272,100	258,938	69,598	-	79,891	10,293	-

# School District of the City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Other federal awards (Continued):								
U.S. Department of Education (Continued):								
Passed through the Michigan Department of Education (Continued):								
Reading First:	84.357A							
Project number 062910-0607A		\$ 232,879	\$ 226,727	\$ 136,523	\$ -	\$ 136,523	\$ -	\$ -
Project number 062930-0607		1,242,593	1,189,540	247,273	-	99,947	-	147,326
Project number 082930-0708		<u>2,048,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,755,446</u>	<u>1,972,522</u>	<u>217,076</u>
Total Reading First		3,524,294	1,416,267	383,796	-	1,991,916	1,972,522	364,402
Title III English Language Acquisition:	84.365A							
Project number 060580-0607		80,372	80,372	14,887	-	14,887	-	-
Project number 070580-0607		844,765	824,699	103,911	-	123,977	20,066	-
Project number 080580-0708		<u>924,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>816,308</u>	<u>924,406</u>	<u>108,098</u>
Total Title III English Language Acquisition		1,849,543	905,071	118,798	-	955,172	944,472	108,098
Title II, Part A - Improving Teacher Quality:	84.367							
Project number 070520-0607		1,012,045	989,900	184,591	-	206,736	22,145	-
Project number 080520-0708		<u>1,025,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>898,524</u>	<u>942,420</u>	<u>43,896</u>
Total Title II, Part A - Improving Teacher Quality		2,037,481	989,900	184,591	-	1,105,260	964,565	43,896
Bilingual Education Cluster - U.S. Department of Education -								
Direct Programs:								
Passed through the U.S. Treasury Department - System-wide:								
Foreign Language Acquisition Program - Project number T293B060015	84.293B	291,611	197,099	13,819	-	106,624	94,512	1,707
Foreign Language Acquisition Program - Project number T293B060015		<u>296,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,955</u>	<u>236,258</u>	<u>95,303</u>
Total Bilingual Education Cluster		<u>588,586</u>	<u>197,099</u>	<u>13,819</u>	<u>-</u>	<u>247,579</u>	<u>330,770</u>	<u>97,010</u>
Total passed through the Michigan Department of Education		24,319,782	10,594,664	2,148,837	177,454	12,981,785	12,437,160	1,781,666
Passed through Wayne County RESA - Carl D. Perkins Vocational								
Education Act - Vocational Education - Basic Grants to States:								
Project number 7012-25	84.048A	217,514	217,514	109,021	-	109,021	-	-
Project number V048A070022		<u>210,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,702</u>	<u>210,208</u>	<u>116,506</u>
Henry Ford Community College:								
Project number 7025-8 - Local Administration		18,400	18,400	-	-	18,100	18,400	300
Project number 7021-8 - Regional Allocation		1,028,951	1,083,709	-	-	1,028,951	1,028,951	-
Project number 7029-CT-8 - Career Transitions		-	12,000	-	-	-	-	-
Project numbers 7029-8 - Fast Track		<u>8,567</u>	<u>2,508</u>	<u>(6,421)</u>	<u>6,421</u>	<u>8,567</u>	<u>8,567</u>	<u>-</u>
Total passed through Wayne County Regional Education Service Agency		1,484,420	1,334,131	102,600	6,421	1,258,341	1,266,126	116,806

See Notes to Schedule of Expenditures  
of Federal Awards.

# School District of the City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Other federal awards (Continued):								
U.S. Department of Education (Continued):								
Passed through Monroe County ISD - Tech Prep Education Program:	84.243A							
Henry Ford Community College - Project number 063540/6014-25		\$ 89,567	\$ 89,260	\$ 26,823	\$ (598)	\$ 96,845	\$ 89,567	\$ 18,947
Tech Prep - Project number 083540/8014-25		12,268	-	-	-	8,138	11,893	3,755
Passed through Washtenaw Community College -								
Community-based job training - CB-15953-07-60-A-26	17.269	370,000	-	-	-	71,250	257,994	186,744
Total U.S. Department of Education noncluster programs		26,276,037	12,018,055	2,278,260	183,277	14,416,359	14,062,740	2,107,918
U.S. Department of Agriculture:								
Passed through the Michigan Department of Education:								
Food Distribution Entitlement Commodities - 2007-2008	10.550	22,382	-	-	-	22,382	22,382	-
Fruit and Vegetable Program	10.582	22,373	-	-	-	536	536	(0)
Passed through Department of Health and Human Services -								
MBBP - Michigan Bridges	93.859	35,922	11,529	10,243	-	23,646	33,318	19,915
Total U.S. Department of Agriculture		80,677	11,529	10,243	-	46,564	56,236	19,915
Direct Program:								
National Endowment for the Humanities - Henry Ford Community								
College - NEH Rouge Grant number BI-50022-06	45.168	24,667	-	-	-	15,068	82,378	67,310
U.S. Department of Defense - Passed through Michigan State University								
Arabic Language Flagship Program	12. Unknown							
Grant Number NSEP-U631006-MSU-ARA-K12 2007		204,582	57,145	57,145	-	131,654	74,509	-
Grant Number NSEP-U631006-MSU-ARA-K12 2008		192,837	-	-	-	-	66,154	66,154
Total U.S. Department of Defense		397,419	57,145	57,145	-	131,654	140,663	66,154
Total noncluster programs		26,823,555	12,086,729	2,345,648	183,277	14,632,563	14,364,935	2,261,297
Total federal awards		<u>\$ 88,408,606</u>	<u>\$ 51,921,998</u>	<u>\$ 3,587,060</u>	<u>\$ 161,116</u>	<u>\$ 69,077,468</u>	<u>\$ 70,145,934</u>	<u>\$ 4,816,642</u>

# **School District of the City of Dearborn, Michigan**

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## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 39,590,109
Add federal revenue reported as state revenue and other adjustments	398
Student loan programs, which are excluded from federal revenue	<u>30,532,509</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 70,123,016</u></u>

# School District of the City of Dearborn, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District of the City of Dearborn, Michigan and Henry Ford Community College and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Grant Section Auditor's Report

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

### Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

### Note 4 - Adjustments and Transfers

Adjustments resulted from changes to prior year award amounts during the year ended June 30, 2008 as follows:

Federal Program Title	CFDA Number	Description	Adjustment Amount
Title II, Part D:	84.318		
Project number 064290-0607		Adjustment of prior year expenditure amount	\$ 12,870
Project number 074290-0607		Adjustment of prior year expenditure amount	164,584
IDEA - Project number 060450-0506	84.027A	Adjustment of prior year receivable amount	(22,161)
Voc Ed - Project number 7029-8 - Fast Track	84.048A	Adjustment of prior year deferred amount	6,421
Tech Prep - Project number 063540/6014-25	84.243A	Adjustment of prior year receivable amount	(598)
Total adjustments			<u>\$ 161,116</u>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### Section I - Summary of Auditor's Results (Continued)

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.555	National School After School Snack Program
	Student Financial Aid Cluster:
84.007	Supplemental Educational Opportunity Grant
84.033	Federal Work Study Program
84.063	Pell Grant Program
84.268	Federal Direct Loan Program
84.375	Federal Academic Competitiveness Grant
84.048A	Vocational Education

Dollar threshold used to distinguish between type A and type B programs: \$1,187,715

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section II - Financial Statement Audit Findings

Reference Number	Findings
2008-A	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Maintaining financial information is a critical part of the financial reporting process. Such a process should include the accurate recording of student tuition revenue and receivables.</p> <p><b>Context</b> - We noted that the College's student tuition revenue and receivables were not properly adjusted for the year-end tuition revenue deferral adjustment, resulting in an overstatement of student accounts receivable and tuition revenue.</p> <p><b>Cause and Effect</b> - The year-end adjustment was not properly calculated or reviewed.</p> <p><b>Recommendation</b> - The College should consider implementing a secondary review of the calculation and related adjustment to ensure that receivables and revenues are properly stated.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College has taken the auditor's recommendation into consideration and will take the necessary actions to ensure the issue does not occur again.</p>



# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2008-B	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Maintaining financial information is a critical part of the financial reporting process. Such a process should include the accurate recording of accrued liabilities and related expenses</p> <p><b>Context</b> - We noted that net asset designations were improperly recorded as expenditures and accrued liabilities at June 30, 2008. Since the College did not incur the expenses during the fiscal year, an accrual and expense should not have been recorded.</p> <p><b>Cause and Effect</b> - Year-end adjustments and related supporting documentation were not subject to adequate supervisory review.</p> <p><b>Recommendation</b> - The College should implement a review process to ensure that all such year-end adjustments are subject to supervisory review.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College has taken the auditor's recommendation into consideration and will take the necessary actions to ensure the issue does not occur again.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2008-C	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Maintaining financial information is a critical part of the financial reporting process. Such a process should include proper accounting for allowances for uncollectible accounts receivable and the capitalization of fixed assets.</p> <p><b>Context</b> - We noted that the College did not calculate the allowance for uncollectible receivables in accordance with internal accounting policies and past practice. This resulted in an understatement of the allowance for uncollectible accounts receivable.</p> <p>We also noted that the College capitalized a piece of equipment at a value other than its actual cost. This resulted in an overstatement of capital assets.</p> <p><b>Cause and Effect</b> - Year-end adjustments and related supporting documentation were not subject to adequate supervisory review.</p> <p><b>Recommendation</b> - The College should implement a review process to ensure that all such adjustments are subject to supervisory review.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College has taken the auditor's recommendation into consideration and will take the necessary actions to ensure the issue does not occur again.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2008-D	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Maintaining financial information is a critical part of the financial reporting process. Such a process should include a proper cut-off of expenses and their related liability.</p> <p><b>Context</b> - We noted an invoice related to the 2007 Athletic Bond Fund was paid twice near the fiscal year end.</p> <p><b>Cause and Effect</b> - The College paid an amount to a vendor twice. As a result, the amount of expenditures and accounts payable within the fund were overstated.</p> <p><b>Recommendation</b> - The College should implement a process to ensure all invoices that are paid are clearly identified as such.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Management of the College is aware of the issue and has begun to take steps to correct the issue and prevent it from occurring in subsequent years.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings

Reference Number	Findings
2008-1	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268 and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - The College must notify a student of the amount of loan funds that the student or his or her parent can expect to receive, which funds are from subsidized loans and which are from unsubsidized loans, and how and when those funds will be disbursed. The notification should also include the date and amount of the disbursement, and the student's right, or parent's right to cancel all or a portion of that loan disbursement. The College must send the notification in writing within 30 days prior to or after crediting the student's account at the institution (34 CFR Section 668.165(a)(2) and 34 CFR Section 668.165(a)(3)).</p> <p><b>Condition</b> - The College did not provide adequate notification of loan disbursements and the right to cancel all or a portion of the loans to students or parents.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Cause and Effect</b> - The College included a statement of the individual's right to cancel the loans in the student financial aid handbook provided to the individuals, believing this was adequate notification. However, this notification did not include all required communication elements for each individual.</p> <p><b>Recommendation</b> - The College should implement a process to notify students or parents of loan disbursements that includes all required communication elements.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-I (Continued)	<p><b>Henry Ford Community College</b></p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College concurs with this finding. As the auditor indicated in the cause and effect statement, the College included a statement of the individual's right to cancel loans in a student financial aid handbook provided to all students and believed this to be adequate notification. In reviewing the regulations and the notification process in place, the College recognizes that this method of notification did not adequately meet all communication requirements and the College is presently in the process of implementing a procedure wherein direct loan recipients will be appropriately notified of all required communication elements.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-2	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268 ,and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - The College has 45 days from the date the College determines a student's withdrawal date to calculate a return to Title IV refund calculation for the student and return the funds. Withdrawal dates are defined as the time when the student officially withdraws or expresses notification to withdraw or, if the student does not officially withdraw, the date that the College determines the student is no longer in attendance (34 CFR Section 668.73(b)).</p> <p><b>Condition</b> - Of the 27 students selected for return to Title IV testing, the College did not return the funds of one student within 45 days of becoming aware that the student had withdrawn from classes.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Cause and Effect</b> - The College runs reports identifying students that have officially withdrawn throughout the semester. The student was identified in a report of students that officially withdrew one month after the student withdrew; however, once the report is generated, the College's process of identifying students in which calculations need to be performed is manual. The student was missed, and a calculation was not performed until the next report was generated, which was after the 45-day requirement.</p> <p><b>Recommendation</b> - The College should consider implementing review procedures to verify that all students needing calculations have been identified.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-2 (Continued)	<p><b>Henry Ford Community College</b></p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College concurs with this finding and has taken measures to prevent such a situation from occurring in the future. Since the process of identifying students requiring calculations, after the official withdrawal report is run is a manual process, the College has taken the following actions:</p> <p>a) The official withdrawal report will be run, at a minimum, every other week, so that if for any reason a student is missed the first time they appear on a report, there will be a second chance to identify the student within the required timeframe, and</p> <p>b) A secondary review process has been put in place whereby a manager will more closely monitor the completion of the identification and review process.</p> <p>Additionally, the College will also investigate the possibility of modifying the existing official withdrawal report to systematically identify specific students requiring calculations each time the report is run, as it is hoped such a modification will even further reduce the likelihood of manual error.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-3	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - The College has 45 days from the date the College determines a student's withdrawal date to calculate a return to Title IV refund calculation for the student and return the funds. Withdrawal dates are defined as the time when the student officially withdraws or expresses notification to withdraw or, if the student does not officially withdraw, the date that the College determines the student is no longer in attendance (34 CFR Section 668.73(b)).</p> <p><b>Condition</b> - Of the 27 students selected for return to Title IV testing, the College used the incorrect number of days in the semester for the calculation of one student.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Cause and Effect</b> - The College input tentative semester dates into its system in order to begin awarding students. When the College identified that the actual dates were known and needed to be updated in the system, this student had already been identified as requiring a calculation. As the College was performing the student's calculation, the College was in the process of correcting the semester dates in the system. However, due to the fact the student information was suspended at the time the dates were corrected, the dates were not updated in the student's calculation.</p> <p><b>Recommendation</b> - The College should consider implementing review procedures to verify that the information used in Title IV calculations is accurate.</p>



# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-3 (Continued)	<p><b>Henry Ford Community College</b></p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College concurs with this finding; however, this particular situation is an isolated case; therefore, the implementation of additional regular review procedures appears unnecessary, although other suggested measures are identified later in this paragraph. The academic calendar of the College is determined by the College's contract with the faculty bargaining union. The current faculty contract runs from July 1, 2007 through June 30, 2012, and establishes the academic calendar for those five academic years. When financial aid processing began for the 2007-2008 academic year in January 2007, the new contract had not yet been determined and estimated academic calendar dates had been entered into the system in order to begin financial aid processing as well as for purposes of building course schedules. Once the faculty contract was settled and the academic year began, it was determined that some academic calendar dates had been estimated incorrectly and the auditor's accounting for how the specific cause of this isolated finding resulted is accurate. Being aware of this potential issue in the future, financial aid office staff will plan to pay much closer attention to academic calendar dates entered into the system for the 2012-2013 academic year.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-4	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - The College must review a student's eligibility for federal aid and apply the federal aid to the appropriate semesters (34 CFR Section 691.1(a)).</p> <p><b>Condition</b> - The College improperly applied second year Academic Competiveness Grant funds to a semester prior to a student meeting the eligibility requirements.</p> <p><b>Questioned Costs</b> - Known error in sample - \$275; total error - Unknown</p> <p><b>Cause and Effect</b> - The College appropriately recognized the student was eligible to receive second year Academic Competiveness Grant funds in the winter semester. However, when the funds were applied to the student's account, a manual input error occurred and the funds were applied in the Fall and winter semesters. The student was eligible for and should have been awarded first year Academic Competiveness Grant funds in the Fall semester. As a result, the student received an additional \$275 because the student was disbursed the higher second year funds in the fall semester rather than the amount that they were eligible for under first year funds.</p> <p><b>Recommendation</b> - The College should consider implementing review procedures to verify recipients of the Academic Competiveness Grant have completed the requisite criteria and that the correct level is disbursed in the correct semesters.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-4 (Continued)	<p><b>Henry Ford Community College</b></p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College concurs with this finding and has taken measures to prevent such a situation from occurring in the future. Additionally, the College subsequently corrected the student's award.</p> <p>The Academic Competitiveness Grant (ACG) was a new federal grant program instituted after processing had already begun for the 2006-2007 academic year. The number of eligible recipients was relatively small during both 2006-2007 and 2007-2008 and the program was administered manually. Furthermore, the staff member assigned as responsible for managing the program changed between 2006-2007 and 2007-2008, and the intended secondary review process was not successfully implemented. With significant increases in the number of eligible ACG recipients expected by the College over the course of the next three years, administrative responsibility for the program has again been shifted to a manager for the 2008-2009 academic year and it is anticipated that program administration will be partially automated and that a secondary review process will be implemented.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-5	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - In order for the College to calculate the funds a student is eligible to receive, the College must first determine the student's financial need which is generally defined as the student's cost of attendance (COA) minus financial resources reasonably available. The COA is calculated by the College based on reasonable costs to attend, and then is to be consistently applied to calculate the funds the students are eligible for (34 CFR Section 690.62(a)).</p> <p><b>Condition</b> - Of the 27 students selected for eligibility testing, one did not have the proper COA amount calculated.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Cause and Effect</b> - During the course of the year, the College updated various COA factors. The student's COA was updated for certain factors that determine the total COA; however, two of the factors requiring manual updating were not adjusted in the student's COA calculation.</p> <p><b>Recommendation</b> - The College should develop and implement procedures and controls to ensure that all the factors of the COA are updated properly for all students.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-5 (Continued)	<p><b>Henry Ford Community College</b></p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College concurs with this finding and has taken measures to prevent such a situation from occurring in the future. Cost of attendance budgets is initially set systematically based on certain assumed attendance patterns. When adjustments to the COA budget are required after initial budgeting, adjustments relating to tuition, fees, and books are made manually. However, adjustments to the room and board budget component and the transportation budget component are only required if there is a change to the length (in months) of the planned enrollment, and if changes are required to these components, the changes are made systematically, but must be triggered by a manual recalculation command. In the isolated case cited in this finding, the financial aid officer inadvertently neglected to trigger the systematic recalculation of the room and board budget component and the transportation budget component. This staff member as well as all financial aid staff members has been reminded of the importance of remembering to trigger this systematic recalculation when required. Additionally, the College will investigate the possibility of developing an audit report to periodically review COA budgets in an effort to ensure this additional step has been performed.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-6	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 682.610).</p> <p><b>Condition</b> - Of the 27 students selected for status change testing, three of those students did not have a status change reported in a timely manner.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Cause and Effect</b> - The College generates reports for submission using parameter dates to identify status changes in the time period between the prior and current report. These parameter dates are manually entered based on the date the prior report was through and the date of the current report being generated. For one of the reports generated during the winter 2008 semester, the incorrect beginning parameter date was entered. The date entered was a month later than the correct date. The students identified had status change dates between the correct date that should have been entered, and the incorrect date. Therefore, these students were not identified until the subsequent report which was after the reporting requirement.</p> <p><b>Recommendation</b> - The College should consider implementing a manual review procedure to verify that the correct parameter dates are entered into the system during the report generation process.</p>

# **School District of the City of Dearborn, Michigan**

## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008**

### **Section III - Federal Program Audit Findings (Continued)**

Reference Number	Findings
2008-6 (Continued)	<p><b>Henry Ford Community College</b></p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College concurs with this finding and has taken measures to prevent such a situation from occurring in the future. The College has implemented procedures to screen-print all Student Status Confirmation Report (SSCR) parameter screens for both a secondary review process and for archival/reference purposes.</p>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-7	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 682.610).</p> <p><b>Condition</b> - Of the 27 students selected for status change testing, four of those students did not have a status change reported in a timely manner.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Cause and Effect</b> - The College had scheduled to submit the third confirmation report for the fall 2007 semester 42 days after submission of the second report. However, the College concluded to hold the process of generating and submitting the report until final grades for the semester were in, which would have still been within the reporting requirement. The process was then further delayed due to the College closing for the holidays; therefore, the submission did not occur within 60 days of the submission of the previous report.</p> <p><b>Recommendation</b> - The College should implement a review procedure to ensure the confirmation reports are being generated and submitted within the reporting requirement.</p>



# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-7 (Continued)	<p><b>Henry Ford Community College</b></p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The College concurs with this finding and has taken measures to prevent such a situation from occurring in the future. In addition to implementing a secondary review process for all Student Status Confirmation Report (SSCR) submissions, the College has also added a fourth SSCR reporting cycle to its fall semester reporting schedule to allow for the possibility that the final report may be delayed based on the timing of the end of the semester and the scheduled holiday closing, while still ensuring that timely SSCR reporting requirements will be met.</p>

# School District of the City of Dearborn, Michigan

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2008

Reference Number	Findings
2007-1	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - The College must calculate and monitor the satisfactory academic progress for each student receiving federal financial aid. The College's satisfactory academic progress guidelines must at least meet the minimum federal requirements.</p> <p><b>Condition</b> - For two of the 25 students selected for testing, the College's system did not properly assign the appropriate status code (probation versus unsatisfactory progress) for one of a multiple of satisfactory academic progress measurements that was not met (34 CFR Section 668.32(f)).</p> <p><b>Status</b> - During the 2005-2006 academic year, the College's electronic SAP process was only set up to flag students and notify them of the first violated SAP standard encountered in the review process and it did not identify situations in which more than one standard was violated. This issue was identified in the College's 2005-2006 Circular A-133 audit, completed September 22, 2006.</p> <p>The SAP process evaluating 2006-2007 financial aid eligibility for the two students identified was run early in the 2006-2007 academic year, before the issue identified in the 2005-2006 Circular A-133 audit (completed on September 22, 2006) was corrected. The modifications were made during the 2006-2007 year.</p>

# School District of the City of Dearborn, Michigan

## Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2008

Reference Number	Findings
2007-2	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - The College must review a student's eligibility for federal aid and apply the federal aid to the appropriate semesters.</p> <p><b>Condition</b> - The College improperly applied Academic Competiveness Grant funds to a semester prior to a student meeting the eligibility requirements (34 CFR Section 691.1(a)).</p> <p><b>Status</b> - The College implemented procedures to allow for a secondary review of all Academic Competiveness Grant awards; however, the issue continues to be reported as a finding for the year ended June 30, 2008.</p>

# School District of the City of Dearborn, Michigan

## Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2008

Reference Number	Findings
2007-3	<p><b>Henry Ford Community College</b></p> <p><b>Program Name</b> - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, and 84.375</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and noncompliance condition</p> <p><b>Criteria</b> - The College must disburse the appropriate amount of federal aid based on the student's enrollment status.</p> <p><b>Condition</b> - The College improperly disbursed Pell funds for one student based on three-quarter enrollment when the student's final enrollment status was half-time (34 CFR Section 690.62(a)).</p> <p><b>Status</b> - The College has taken two separate measures in an effort to eliminate such. First, the Financial Aid Office has established more regular contact with the Registrar's Office regarding the loading of census dates. Second, a credit hour variance report has been developed, which identifies credit hour variances between a student's census date enrollment and their current credit hours for the term. Once the census date for the term has passed, this report is run on a weekly basis, prior to running the disbursement process, as a secondary check to confirm that students who have variances are still eligible for their awarded aid and to assist in ensuring that aid is being disbursed to these students in an appropriate amount.</p>

October 15, 2008

To the Board of Education  
School District of the City of Dearborn  
18700 Audette  
Dearborn, MI 48124

In planning and performing our audit of the financial statements of the School District of the City of Dearborn (the "District") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

- During our testing of the accounts payable balance of the 2007 Athletic Bond Fund, we noted an instance where a vendor was paid twice for the same invoice in the amount of \$355,627. We discussed this issue with management and they are currently reviewing the situation, the related controls, and are taking corrective action to prevent a similar incident.

As part of new required audit standards implemented this year, we performed a surprise audit procedure related to an athletic event. As a result, we noted a matter that we consider to be a control deficiency, however, not a significant deficiency.

- During our testing of the cash receipts procedures from a September boys' varsity football game at Fordson High School, it was noted that cash received from this game was not deposited into the bank until two months later. We recommend the District implement procedures to ensure that cash is deposited at least weekly for all sporting and other school events to help safeguard cash and maximize interest earnings.

An additional new audit procedure required us to review controls surrounding the District's information technology system (IT). This review was done by members of our IT department. Based on our review, we have several recommendations for improvement in the system as noted below:

- We noted that the District does not document changes in user access to IT systems due to termination. Forms should be submitted to the IT department, who then should update the database to remove the former employees' access. IT should be notified immediately of an involuntary termination and notified in advance of an anticipated/voluntary termination.
- We noted that no formal process exists to periodically review user access levels with supervisors to confirm appropriateness. An annual review should be conducted by supervisors of their respective staff. Exceptions should be documented and IT should make the necessary changes and document the date of the modifications. The outcomes from the annual reviews should be filed within the IT department or human resources.
- To inhibit someone from obtaining another user's password, current password settings should be strengthened as follows:
  - Password length - Seven or more characters
  - Password expiration - 90 days or less
  - Password complexity - Enforced
  - Unsuccessful login attempts - Limited to three attempts
- If not already formalized, management should develop an information security program to document and communicate the policies and procedures that end-users need to follow and adhere to when using the District's information systems. This allows for proper use of the District's IT resources.
  - Once established, all users should be required to sign and acknowledge that they have read and understood the information security program. This acknowledgement should be signed annually and retained in the employee's personnel file.
  - If any third parties have network access then, like employees, all third-parties accessing the District's information systems should follow the information security program. Prior to giving them access, third parties should be required to sign the information security program and confidentiality agreement.

This communication is intended solely for the information and use of the Board of Education, management, and those charged with governance and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Jeffrey P. Dolowy". The signature is stylized with a large, sweeping "D" and a cursive "y".

Jeffrey P. Dolowy, CPA

# School District of the City of Dearborn, Michigan

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# School District of the City of Dearborn, Michigan

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## Independent Auditor's Report

To the Board of Education  
School District of the City of  
Dearborn, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the School District of the City of Dearborn, Michigan (the "School District") as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of the City of Dearborn, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. In addition, the audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information was also conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the School District of the City of Dearborn, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule (identified in the table of contents) are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education  
School District of the City of  
Dearborn, Michigan

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District of the City of Dearborn, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

October 15, 2008

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - Introduction**

### **Introduction**

The following discussion and analysis provides an overview of the financial position and activities of the School District of the City of Dearborn, Michigan (the "School District") for the year ended June 30, 2008. The School District is identified as a P-14 school district located in Wayne County, Michigan. The P-12 component reflects the preschool, elementary, and secondary components of the School District. Henry Ford Community College (the "College") represents the post-secondary education component of the School District. Henry Ford Community College Foundation (the "Foundation") is reported within the component unit column in the financial statements as a legally separate entity from the School District.

This section of the School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds. The P-12 activities are classified as governmental funds and include the following for the P-12: the General Fund and all other funds presented in one column as nonmajor funds. The College's activities are reflected in the proprietary funds of the School District's fund financial statements and include all funds of the College. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the P-12 acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

#### **Basic Financial Statements**

District-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Fund

Other Supplemental Information

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - Introduction (Continued)**

### ***Reporting the School District as a Whole - District-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental, business-type, and component unit activities for the School District. The governmental activities encompass all of the P-12's services, including instruction, support services, adult and community education, athletics, center programs, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities. The business-type activities encompass all of the College's activities, including instruction, support services, and auxiliary activities. Property taxes, unrestricted state appropriations, tuition and fees, and federal and state grants finance most College activities. Component unit activities include the activities of Henry Ford Community College Foundation.

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - Introduction (Continued)**

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Adult Education Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District include only the activities of the P-12 and use the following accounting approach:

Governmental funds - All of the P-12's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the P-12 and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the P-12's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

The proprietary funds of the School District include only the activities of the College and use the following accounting approach:

Proprietary funds - All College services are reported in proprietary funds. Proprietary funds are accounted for using an economic resources measurement focus and the accrual basis of accounting. This means that private sector standards of accounting issued prior to November 30, 1989 generally are followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

### ***The School District as Trustee - Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Discussion of the P-12 and College activities follows.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) - P-12

### Dearborn Public Schools (P-12)

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the P-12's net assets as of June 30, 2008, which are reported as governmental activities of the School District:

TABLE I

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Assets</b>		
Current assets	\$ 34.2	\$ 41.1
Restricted assets	6.4	2.8
Capital assets	<u>234.8</u>	<u>238.9</u>
Total assets	275.4	282.8
<b>Liabilities</b>		
Current liabilities	40.0	42.3
Long-term liabilities	<u>157.8</u>	<u>166.2</u>
Total liabilities	<u>197.8</u>	<u>208.5</u>
<b>Net Assets</b>		
Invested in property and equipment - Net of related debt	70.0	66.7
Restricted	1.9	2.2
Unrestricted	<u>5.7</u>	<u>5.4</u>
Total net assets	<u>\$ 77.6</u>	<u>\$ 74.3</u>

The above analysis focuses on the net assets (see Table I) of the P-12. The change in net assets (see Table 2) of the P-12's activities is discussed below. The P-12's net assets were \$77.6 million at June 30, 2008. Capital assets, net of related debt totaling \$70.0 million, compares the original cost, less depreciation of the P-12's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the P-12's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$5.7 million, was unrestricted.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) - P-12 (Continued)

The \$5.7 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' P-12 operations. The unrestricted net assets balance enables the P-12 to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the P-12 as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

TABLE 2

	Governmental Activities	
	2008	2007
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 14.0	\$ 13.5
Operating grants	41.2	25.9
General revenue:		
Property taxes	72.2	71.4
State foundation allowance	100.5	112.1
Other	1.0	1.0
Total revenue	228.9	223.9
<b>Functions/Program Expenses</b>		
Instruction	120.4	117.3
Support services	80.3	76.4
Food services	5.2	5.0
Athletics	1.6	1.5
Interest on long-term debt	7.8	7.8
Loss on disposal of assets	-	0.2
Depreciation (unallocated)	10.3	6.4
Total functions/program expenses	225.6	214.6
<b>Increase in Net Assets</b>	<b>\$ 3.3</b>	<b>\$ 9.3</b>



# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - P-12 (Continued)**

As reported in the statement of activities, the cost of all of our governmental activities this year was \$225.6 million. Certain activities were partially funded from those who benefited from the programs, \$14.0 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$41.2 million. We paid for the remaining "public benefit" portion of our governmental activities with \$72.2 million in taxes, \$100.5 million in state foundation allowance, and with our other revenues, i.e., interest and fees collected for services.

The P-12 experienced an increase in net assets of \$3.3 million. Key reasons for the change in net assets are due to:

- The School Services Fund increased by \$30,000 due to revenues exceeding expenditures in the Adult Education and Community Services Fund in the amount of \$192,500 offset by expenditures exceeding revenues in the Food Service Fund by \$162,500.
- The investment of \$4 million in property and equipment in our buildings and facilities to maintain appearance and sound infrastructure
- The planned reduction of \$.9 million in debt service and capital project related funds as those funds are spent to pay for specific bond related and capital related expenditures

As discussed above, the net cost shows the financial burden that was placed on the State and the P-12's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the P-12 and balance those needs with state-prescribed available unrestricted resources.

### **The P-12's Funds**

As we noted earlier, the P-12 uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the P-12 is being accountable for the resources taxpayers and others provide to it and may provide more insight into the P-12's overall financial health.

As the P-12 completed this year, the governmental funds reported a combined fund balance of \$17.3 million, which is an increase of \$2.6 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance decreased by \$.4 million, under the original budget, and over the final budget. This decrease was slightly higher than the final budget primarily due to certain costs finalized after the final budget was completed. These minor variances occur each year, with both positive and negative impacts on the actual results.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - P-12 (Continued)**

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Our Special Revenue Funds increased from the prior year, reporting a net increase of approximately \$30,000. This was due to an increase in the Adult Education Fund of \$192,500, and a decrease in the Food Services Fund of \$162,500.

Combined, the P-12 Debt Service Funds showed a fund balance decrease of approximately \$285,000. Millage rates were increased in 2008 to pay the required principal and interest. Millage rates are determined annually to ensure that the School District (including the P-12 and the College) accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The combined Capital Projects Funds fund balance decreased as the School District continued construction related to the 2002 bond issues and the construction related to the athletics facilities. The 2002 construction projects are estimated to be approximately 100 percent complete at June 30, 2008. The athletic construction is estimated to be about 25 percent complete at June 30, 2008.

### **General Fund Budgetary Highlights**

Over the course of the year, the P-12 revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June. A schedule showing the P-12's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were adjustments made to the 2008 original budget. Budgeted revenues were increased in the area of investment income, reallocation of state aid categorical funding (at-risk) to funded programs, and a significant increase in the various funded programs of the School District.

Budgeted expenditures were reallocated and increased to reflect the increase in the funded programs.

There were variances between the final budget and actual amounts within the General Fund. Revenues exceeded budget primarily due to restricted federal and state grants being over budget, incoming transfers being under budget, and state aid being slightly under budget. Expenditures exceeded the final budget primarily due to the instructional and support services necessary for various federal and state programs.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) - P-12 (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2008, the P-12 had \$289.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and adjustments) of approximately \$6.2 million, or 2.2 percent, from last year.

This year's gross additions of \$6.2 million included land improvements, technology, building renovations, and vehicles. There was \$5.5 million of new debt issued for the high school athletic facilities.

P-12 capital assets consist of the following:

	2008	2007
Land	\$ 11,423,864	\$ 11,423,864
Construction in progress	923,297	-
Buildings and building improvements	237,109,335	234,599,003
Land improvements	2,760,327	-
Buses and other vehicles	8,764,879	8,727,194
Equipment and other	28,406,170	28,406,170
Total capital assets	<u>\$ 289,387,872</u>	<u>\$ 283,156,231</u>

We anticipate capital additions will be approximately \$2.5 million for the 2008-2009 year. We present more detailed information about our capital assets in the notes to the financial statements.

#### *Debt*

At the end of this year, the School District had \$167.0 million in bonds outstanding (excluding related discounts, premiums, and issuance costs) versus \$170.7 million in the previous year - a change of approximately 2.2 percent. Those bonds consisted of the following:

	2008	2007
General obligation bonds	<u>\$ 166,963,400</u>	<u>\$ 170,732,697</u>

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - P-12 (Continued)**

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The School District's general obligation bond ratings continue to be AAA and Aaa. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$6.7 million (of which \$5.7 million is allocated to the P-12 and \$1.0 million to the College) is significantly below this \$671 million statutorily imposed limit.

Other obligations include accrued vacation pay, compensated absences, installment purchase agreements, and self-insurance liabilities. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration considered many factors when setting the P-12's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008-2009 fiscal year is 75 percent and 25 percent of the February 2008 and September 2008 student counts, respectively. The 2008-2009 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 90 percent of total General Fund revenue is from the foundation allowance. Under state law, the P-12 cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be equal to the estimates used in creating the 2008-2009 budget. Once the final student count and related per pupil funding are validated, state law requires the P-12 to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the P-12's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State has passed the 2008-2009 School Aid Fund budget, which includes a \$56 per pupil increase to the School District's foundation allowance. We will monitor the economic climate of the nation and the state, and pay close attention to the revenue conferences to determine the State's ability to pay all of its obligations of the school aid budget. Once September student count numbers are finalized, we will produce a first revision of the 2008-2009 budget. Any changes to the State's ability to pay 100 percent of the school aid budget will also require potential budget amendments.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College

### Henry Ford Community College

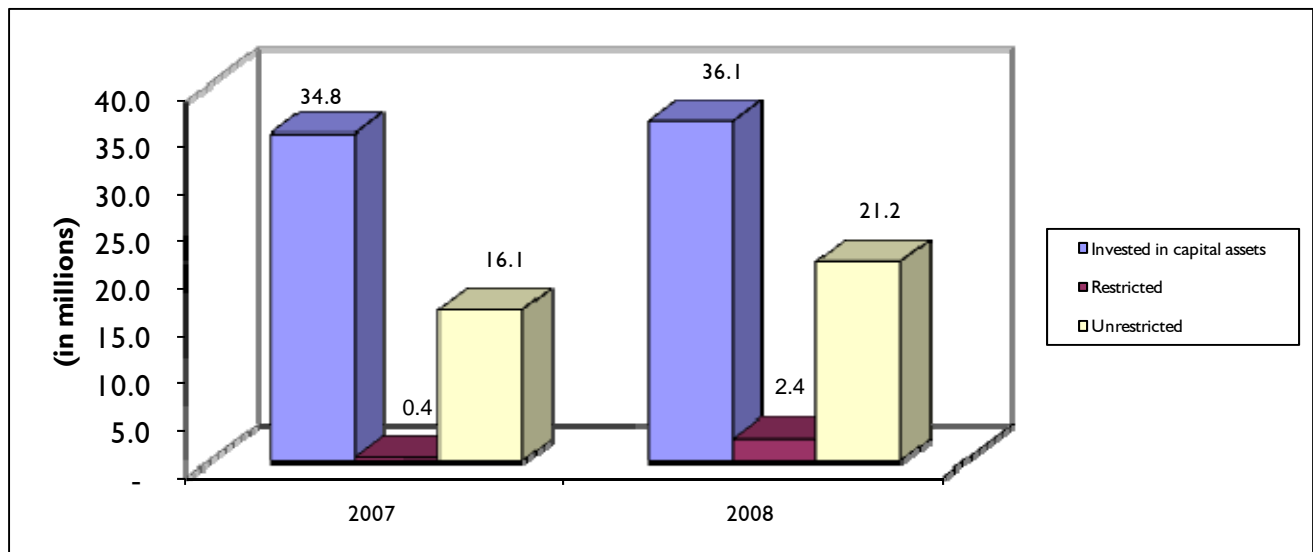
This discussion and analysis of Henry Ford Community College's financial statements provide an overview of the College's financial activities for the year ended June 30, 2008. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above referred format, notes to financial statements, and supplemental information.

### Financial Highlights

Overall, the College's financial position at June 30, 2008 improved from June 30, 2007. In total, the College's net assets increased \$8.4 million, or 16.4 percent, from the prior year. The overall increase is primarily the result of an increase in unrestricted net assets which were the result of improvements in the process to manage student accounts receivable, an increase in enrollment of approximately 10 percent, cost containments, and energy management.

The following chart provides a graphic breakdown of net assets by category as of June 30, 2008 and 2007:



# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

### The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the College's finances is, "Is the College as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the College's operating results.

These two statements report the College's net assets and changes in net assets. You can think of the College's net assets and the difference between assets and liabilities as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. You should consider many other nonfinancial factors, such as the trend in college applications, student retention, condition of the buildings, and strength of the faculty, to assess the overall health of the College.

These financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector entities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Following is an analysis of the major components of the net assets of the College as of June 30, 2008 and 2007:

#### **Condensed Net Assets as of June 30**

(in millions)

	2007	2008	Increase (Decrease)	Percent Change
<b>Assets</b>				
Current assets	\$ 27.7	\$ 32.6	\$ 4.9	17.7
Noncurrent assets	52.2	63.6	11.4	21.8
Total assets	<u>\$ 79.9</u>	<u>\$ 96.2</u>	<u>\$ 16.3</u>	20.4
<b>Liabilities</b>				
Current liabilities	\$ 10.8	\$ 10.2	\$ (0.6)	(5.6)
Long-term liabilities	17.8	26.3	8.5	47.8
Total liabilities	28.6	36.5	7.9	27.6

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

	2007	2008	Increase (Decrease)	Percent Change
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	\$ 34.8	\$ 36.1	\$ 1.3	3.7
Restricted	0.4	2.4	2.0	500.0
Unrestricted	<u>16.1</u>	<u>21.2</u>	<u>5.1</u>	31.7
Total net assets	<u>51.3</u>	<u>59.7</u>	<u>8.4</u>	16.4
Total liabilities and net assets	<u>\$ 79.9</u>	<u>\$ 96.2</u>	<u>\$ 16.3</u>	20.4

Net assets represent the difference between the College's assets and liabilities and, at June 30, 2008, the net assets of the College were \$59.7 million. The strength in total assets of \$96.2 million lies primarily with capital assets, net of related debt, which is \$36.1 million. Over the past 10 years, several capital projects have been completed which increased the square footage of the campus by nearly 50 percent. However, in fiscal year 2008, no new major capital projects were undertaken.

The primary change in the statement of net assets from 2007 to 2008 relates to an increase in unrestricted net assets. Student enrollments increased approximately 10 percent due to increased marketing efforts and a continuing poor economy in Michigan, which encourages residents to seek new job skills. Operating processes were improved to increase the number of students that receive financial aid, which further added to enrollment increases. Processes to improve the management of student accounts receivable were put in place which increased collections on delinquent accounts. Over the last three years, auxiliary operations have been re-engineered and the results have been an increase in net assets of over \$600,000 for three consecutive years.

Current assets increased \$4.9 million, or 17.7 percent, over the prior year as a result of better collection efforts. These improved processes also resulted in an increase in cash and investments of over \$1.4 million.

Current liabilities remained essentially flat as no major changes in College operations have occurred. Long-term liabilities increased \$8.5 million with the purchase of 10 acres of property contiguous to the main campus including four buildings. The purchase allows for expansion required by the increase in enrollments. The property was formerly owned by the Society for Manufacturing Engineers who will continue to lease one-half of the total square footage of the buildings for its own operations.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

Following is an analysis of the major components of the changes in net assets of the College for the years ended June 30, 2008 and 2007:

### Condensed Changes in Net Assets for the Year Ended June 30 (in millions)

	2007	2008	Increase (Decrease)	Percent Change
<b>Operating Revenue</b>				
Tuition and fees	\$ 20.4	\$ 20.4	\$ -	-
Grants and contracts	5.2	5.8	0.6	11.5
Auxiliary enterprises	7.2	8.2	1.0	13.9
Other	1.3	2.1	0.8	61.5
Total operating revenue	34.1	36.5	2.4	7.0
<b>Operating Expenses</b>				
Instruction	32.7	37.4	4.7	14.4
Instructional support	6.7	7.3	0.6	9.0
Student services	8.6	9.0	0.4	4.7
Institutional administration	9.0	5.0	(4.0)	(44.4)
Information technology	3.7	7.3	3.6	97.3
Physical plant operations	5.8	8.1	2.3	39.7
Auxiliary enterprises	6.3	7.2	0.9	14.3
Depreciation expense	3.1	3.3	0.2	6.5
Other operating expenses	0.1	0.2	0.1	100.0
Total operating expenses	76.0	84.8	8.8	11.6
<b>Operating Loss</b>	(41.9)	(48.3)	(6.4)	15.3
<b>Nonoperating Revenue (Expense)</b>				
Federal grants	12.7	17.7	5.0	39.4
State appropriations	17.2	22.4	5.2	30.2
Property taxes	16.3	16.5	0.2	1.2
Other nonoperating expenses	0.5	0.1	(0.4)	(80.0)
Net nonoperating revenue	46.7	56.7	10.0	21.4
<b>Increase in Net Assets</b>	4.8	8.4	3.6	75.0
<b>Net Assets - Beginning of year</b>	46.5	51.3	4.8	10.3
<b>Net Assets - End of year</b>	<u>\$ 51.3</u>	<u>\$ 59.7</u>	<u>\$ 8.4</u>	16.4



# School District of the City of Dearborn, Michigan

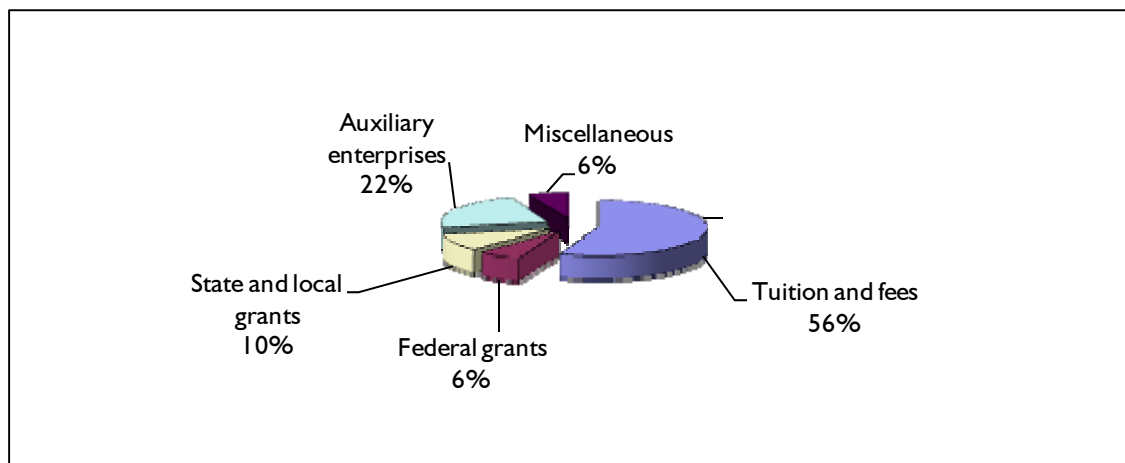
## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

### Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees and bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenues increased by 7.0 percent, from \$34.1 million to \$36.5 million.

The following is a graphic illustration of operating revenue by source for the year ended June 30, 2007:



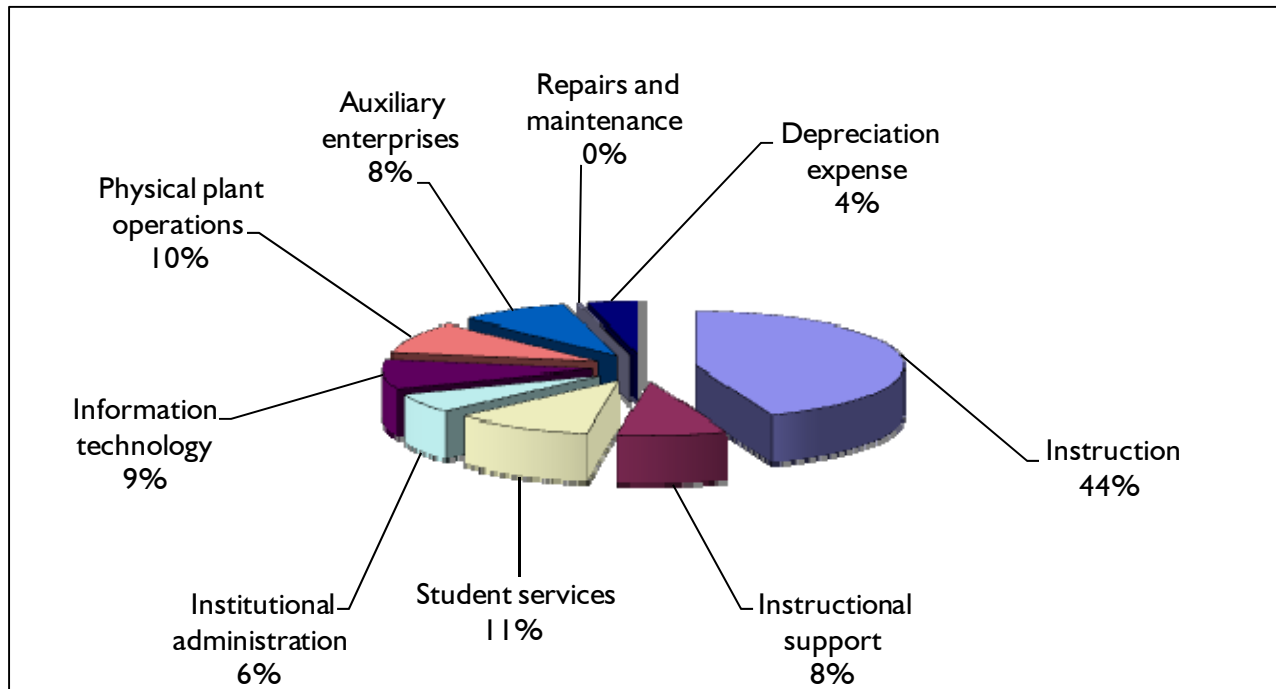
### Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. Overall, operating expenses increased 11.6 percent. Increases in instruction and student services relate primarily to negotiated increases in salaries and wages and costs related to increases in enrollment. Other expense increases came from investments in instructional technology and facilities improvements. Energy costs were contained through energy conservation programs. For the fiscal year ended June 30, 2008, depreciation expense was \$3.3 million.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

The following is a graphic illustration of operating expenses by source:



### Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

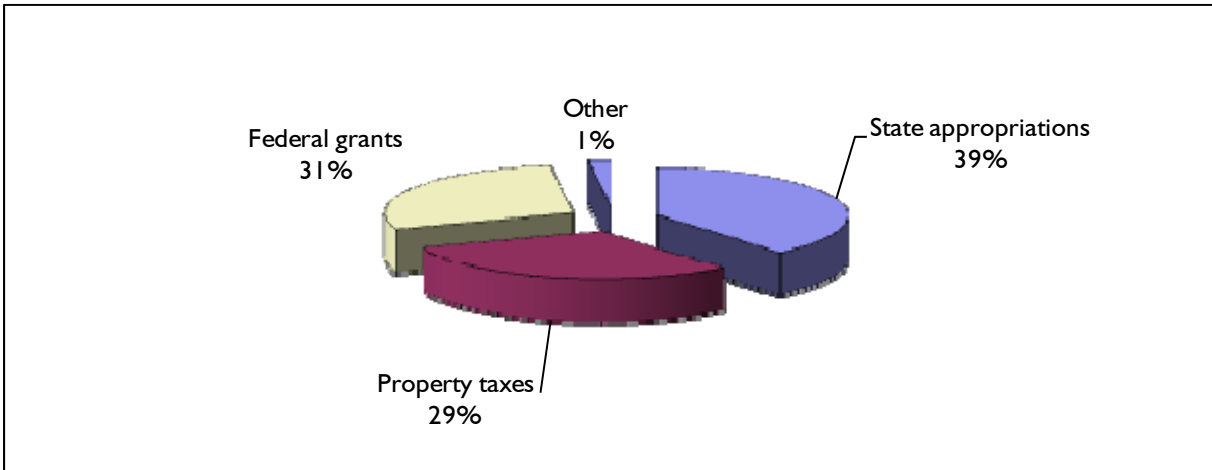
In fiscal year 2007-2008, the State of Michigan did not significantly increase state aid support for community colleges. Property tax revenue increased slightly for the fiscal year.

Federal grant revenue increased by approximately \$5.0 million from \$12.7 million to \$17.7 million. State and local grants and gifts increased by about \$200,000 from \$3.2 million to \$3.3 million.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

The following is a graphic illustration of nonoperating revenue by source:



### Statement of Cash Flows

Another way to assess the financial health of a college is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

### **Cash Flows for the Year (in millions)**

	2007	2008	Increase (Decrease)	Percent Change
<b>Cash Provided by (Used in)</b>				
Operating activities	\$ (40.7)	\$ (47.0)	\$ (6.3)	(15.5)
Noncapital financing activities	46.5	50.8	4.3	9.2
Capital and related financing activities	(2.0)	(1.0)	1.0	50.0
Investing activities	1.2	1.1	(0.1)	(8.3)
<b>Net Increase in Cash</b>	5.0	3.9	(1.1)	(22.0)
<b>Cash - Beginning of year</b>	14.8	19.8	5.0	33.8
<b>Cash - End of year</b>	<u>\$ 19.8</u>	<u>\$ 23.7</u>	<u>\$ 3.9</u>	19.7

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

Overall, total cash balances as of June 30, 2008 increased significantly over June 30, 2007. Total cash used for operating activities increased \$6.3 million over the prior year primarily due to payments to employees related to contractual increases for compensation and related to costs for increased enrollment. Net cash provided by noncapital financing activities increased by nearly \$4.3 million as the result of an increase in the voted operations millage of a half mill.

### Capital Assets

At June 30, 2008, the College held \$36.1 million in capital assets, net of accumulated depreciation. Depreciation charges totaled \$3.3 million for the current year. No new capital projects were begun during the year. Two projects are under consideration for next fiscal year including parking lot improvements and renovations to the Science Building.

Details of these assets for the past two years are shown below:

	2007	2008	Increase (Decrease)
Land	\$ 2.0	\$ 3.5	\$ 1.5
Construction in progress	0.5	0.6	0.1
Land improvements	0.1	0.5	0.4
Buildings	74.6	82.6	8.0
Building improvements	2.5	2.7	0.2
Furniture	1.1	1.3	0.2
Equipment and other vehicles	11.4	13.3	1.9
Total	<u>\$ 92.2</u>	<u>\$ 104.5</u>	<u>\$ 12.3</u>

### Long-term Debt

At June 30, 2008, the College had approximately \$27.5 million of bonds and notes payable outstanding as compared with \$17.3 million at June 30, 2007. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

### Economic Factors that Will Affect the Future

As the state of Michigan continues the transformation from a manufacturing-based economy, more and more residents are looking to community colleges to provide training for the new economy. Further, as the difficult economy continues, students who would otherwise attend a residential four-year university are attending community colleges. As a result, the fall 2008 enrollment for Henry Ford Community College is up 10 percent.

# **School District of the City of Dearborn, Michigan**

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## **Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)**

Although limited economic growth and increased demand for state resources from federal mandates continue to limit the potential for increases in state funding, the current state budget projects a 2.5 percent increase in state aid for community colleges for 2009. To help make up for prior state aid decreases from the last three years, taxpayers approved a .5 property tax millage that was recognized as revenue beginning in the College's 2005-2006 fiscal year. The additional levy generates an additional \$2.5 million.

As the State attempts to address structural economic problems and set a course for the future, community colleges will play an increasing role in achieving the new agenda. The life sciences have been identified as a new business sector for the State, and Henry Ford Community College will pursue new programs to support the effort. Further, the State is seeking to address the shortage of health career workers, particularly nurses, and has initiated several grant programs. Henry Ford Community College has already secured three state grants that offer accelerated programs to produce nurses and other healthcare professionals more quickly. Henry Ford Community College has demonstrated the willingness and the ability to be a full partner with the State in pursuing a new agenda that will create the economic base necessary to re-establish Michigan as a leader in a global economy.

# School District of the City of Dearborn, Michigan

	Governmental Activities	Business-type Activities (Henry Ford Community College)	Component Unit (Henry Ford Community College Foundation)	Total (Memo Only)
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments (Note 3)	\$ 6,547,751	\$ 21,254,387	\$ 6,752,834	\$ 34,554,972
Receivables - Net (Note 4):				
Accounts and grants	4,730,741	6,241,641	6,231	10,978,613
Contributions	-	-	75,484	75,484
Taxes	35,854	545,763	-	581,617
Due from other governmental units	21,699,463	3,731,654	-	25,431,117
Internal balances	1,039,988	(1,039,988)	-	-
Inventories	86,547	919,198	-	1,005,745
Prepaid costs	11,142	961,415	4,815	977,372
Total current assets	34,151,486	32,614,070	6,839,364	73,604,920
<b>Restricted Assets</b> (Note 10)	6,407,610	2,432,983	90,000	8,930,593
<b>Capital Assets</b> - Net (Note 5)	234,836,768	61,133,699	227,000	296,197,467
Total assets	<u>\$ 275,395,864</u>	<u>\$ 96,180,752</u>	<u>\$ 7,156,364</u>	<u>\$ 378,732,980</u>

**Statement of Net Assets**  
**June 30, 2008**

	Governmental Activities	Business-type Activities (Henry Ford Community College)	Component Unit (Henry Ford Community College Foundation)	Total (Memo Only)
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 5,078,077	\$ 1,356,359	\$ 19,949	\$ 6,454,385
Scholarships payable	-	-	25,499	25,499
Accrued payroll and other liabilities	17,894,110	2,030,581	-	19,924,691
Deferred revenue (Note 4)	1,246,364	2,603,127	-	3,849,491
Deposits held for others	-	143,328	-	143,328
Other liabilities	161,028	-	-	161,028
Current portion of long-term liabilities (Note 7)	15,588,517	4,040,561	-	19,629,078
Total current liabilities	39,968,096	10,173,956	45,448	50,187,500
<b>Long-term Liabilities</b> - Net of current portion (Note 7)	157,780,098	26,274,302	-	184,054,400
Total liabilities	197,748,194	36,448,258	45,448	234,241,900
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	70,036,705	36,101,271	-	106,137,976
Restricted:				
Debt service	1,018,433	-	-	1,018,433
Capital projects	329,392	2,432,983	-	2,762,375
Loans	-	10,460	-	10,460
Temporarily - Component unit	-	-	2,421,869	2,421,869
Permanently - Component unit	-	-	2,750,477	2,750,477
School services	560,584	-	-	560,584
Unrestricted	5,702,556	21,187,780	1,938,570	28,828,906
Total net assets	77,647,670	59,732,494	7,110,916	144,491,080
Total liabilities and net assets	<u>\$ 275,395,864</u>	<u>\$ 96,180,752</u>	<u>\$ 7,156,364</u>	<u>\$ 378,732,980</u>

# School District of the City of Dearborn, Michigan

	Program Revenues		
	Expenses	Charges for Services	Operating Grants/Contributions
<b>Functions/Programs</b>			
Primary government:			
Governmental activities:			
Instruction	\$ 120,437,056	\$ 12,037,456	\$ 38,056,126
Support services	80,263,066	-	-
Food services	5,208,832	1,917,111	3,143,529
Athletics	1,627,690	130,468	-
Interest on long-term debt	7,776,847	-	-
Depreciation (unallocated)	10,288,609	-	-
Total governmental activities	225,602,100	14,085,035	41,199,655
Business-type activities - Henry Ford Community College	84,691,530	28,547,809	5,777,681
Component unit - Henry Ford Community College Foundation	796,258	-	749,408
Total	<u><b>\$ 311,089,888</b></u>	<u><b>\$ 42,632,844</b></u>	<u><b>\$ 47,726,744</b></u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Federal aid restricted to specific purposes			
State aid not restricted to specific purposes			
Interest earnings and other			
Total general revenues			
<b>Change in Net Assets</b>			
<b>Net Assets</b> - Beginning of year, as restated (Note 15)			
<b>Net Assets</b> - End of year			



**Statement of Activities**  
**Year Ended June 30, 2008**

Net (Expense) Revenue and Changes in Net Assets			
Component Unit -			
Henry Ford Community College Foundation			
Governmental Activities	Business-type Activities	College Foundation	Total (Memo Only)
\$ (70,343,474)	\$ -	\$ -	\$ (70,343,474)
(80,263,066)	-	-	(80,263,066)
(148,192)	-	-	(148,192)
(1,497,222)	-	-	(1,497,222)
(7,776,847)	-	-	(7,776,847)
(10,288,609)	-	-	(10,288,609)
(170,317,410)	-	-	(170,317,410)
-	(50,366,040)	-	(50,366,040)
-	-	(46,850)	(46,850)
(170,317,410)	(50,366,040)	(46,850)	(220,730,300)
55,613,282	14,463,223	-	70,076,505
16,606,079	1,994,129	-	18,600,208
-	17,693,111	-	17,693,111
100,477,505	22,372,300	-	122,849,805
968,204	2,254,750	(1,375,534)	1,847,420
173,665,070	58,777,513	(1,375,534)	231,067,049
3,347,660	8,411,473	(1,422,384)	10,336,749
74,300,010	51,321,021	8,533,300	134,154,331
<b>\$ 77,647,670</b>	<b>\$ 59,732,494</b>	<b>\$ 7,110,916</b>	<b>\$ 144,491,080</b>

# School District of the City of Dearborn, Michigan

## Governmental Funds Balance Sheet June 30, 2008

	General Fund	2007 Athletic Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 5,556,983	\$ 5,017,749	\$ 2,380,629	\$ 12,955,361
Property taxes receivable (Note 4)	18,569	-	17,285	35,854
Accounts and grants receivable (Note 4)	4,653,136	-	77,605	4,730,741
Due from other governments (Note 4)	21,699,463	-	-	21,699,463
Internal balances	1,039,988	-	-	1,039,988
Due from other funds (Note 6)	280,657	33,020	1,964,137	2,277,814
Prepaid costs	11,142	-	-	11,142
Inventories	-	-	86,547	86,547
Total assets	<u>\$ 33,259,938</u>	<u>\$ 5,050,769</u>	<u>\$ 4,526,203</u>	<u>\$ 42,836,910</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 3,135,573	\$ 397,866	\$ 1,544,638	\$ 5,078,077
Accrued salary, wage, and fringe benefits payable	16,247,596	-	547,886	16,795,482
Due to other funds (Note 6)	1,997,157	-	280,657	2,277,814
Other liabilities	161,028	-	-	161,028
Deferred revenue (Note 4)	1,192,446	-	53,918	1,246,364
Total liabilities	22,733,800	397,866	2,427,099	25,558,765
<b>Fund Balances</b>				
Reserved for inventories and prepaid costs	11,142	-	86,547	97,689
Reserved for debt service	-	-	1,018,433	1,018,433
Reserved for capital projects	-	4,652,903	520,087	5,172,990
Reserved for school services	-	-	474,037	474,037
Unreserved	10,514,996	-	-	10,514,996
Total fund balances	10,526,138	4,652,903	2,099,104	17,278,145
Total liabilities and fund balances	<u>\$ 33,259,938</u>	<u>\$ 5,050,769</u>	<u>\$ 4,526,203</u>	<u>\$ 42,836,910</u>

# School District of the City of Dearborn, Michigan

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## **Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008**

**Fund Balance - Total Governmental Funds** **\$ 17,278,145**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

Capital assets	\$ 289,387,872	
Accumulated depreciation	<u>(54,551,104)</u>	234,836,768

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds and notes payable including premium/discount	(168,545,033)	
Compensated absences and severance agreements	(2,041,719)	
Risk management and claims	<u>(2,781,863)</u>	(173,368,615)

Accrued interest payable is not included as a liability in governmental funds		<u>(1,098,628)</u>
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**Net Assets - Governmental Activities** **\$ 77,647,670**

# School District of the City of Dearborn, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	2007 Athletic Bond	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Local:				
Property taxes	\$ 55,613,282	\$ -	\$ 16,606,079	\$ 72,219,361
Investment income	507,629	76,200	384,375	968,204
Tuition and other local revenue	2,518,469	42,566	2,226,043	4,787,078
Food service	-	-	1,917,111	1,917,111
Athletic gate receipts	-	-	130,468	130,468
Total local	58,639,380	118,766	21,264,076	80,022,222
State	118,600,431	-	3,497,840	122,098,271
Federal	16,435,360	-	3,143,529	19,578,889
Interdistrict - Incoming transfers from other districts	364,878	-	6,885,500	7,250,378
Total revenue	194,040,049	118,766	34,790,945	228,949,760
<b>Expenditures</b>				
Current:				
Instruction	112,214,151	-	6,017,510	118,231,661
Support services	76,221,028	-	4,809,092	81,030,120
Community services	333,145	-	-	333,145
Food service	-	-	5,208,832	5,208,832
Athletics	-	-	1,627,690	1,627,690
Capital outlay	644,180	869,184	6,475,255	7,988,619
Debt service:				
Principal payments	-	-	10,516,519	10,516,519
Interest and other	-	-	7,903,294	7,903,294
Fees and other bond costs	-	54,113	10,451	64,564
Total expenditures	189,412,504	923,297	42,568,643	232,904,444
<b>Excess of Revenue Over (Under) Expenditures</b>	4,627,545	(804,531)	(7,777,698)	(3,954,684)
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of notes and bonds	-	5,500,000	995,000	6,495,000
Transfers in (Note 6)	1,531,015	-	6,599,590	8,130,605
Transfers out (Note 6)	(6,554,309)	(42,566)	(1,533,730)	(8,130,605)
Total other financing sources (uses)	(5,023,294)	5,457,434	6,060,860	6,495,000
<b>Net Change in Fund Balances</b>	(395,749)	4,652,903	(1,716,838)	2,540,316
<b>Fund Balances - Beginning of year</b>	10,921,887	-	3,815,942	14,737,829
<b>Fund Balances - End of year</b>	<b>\$ 10,526,138</b>	<b>\$ 4,652,903</b>	<b>\$ 2,099,104</b>	<b>\$ 17,278,145</b>

# School District of the City of Dearborn, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008**

**Net Change in Fund Balances - Total Governmental Funds** \$ 2,540,316

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (10,288,609)	
Capitalized capital outlay	<u>6,231,641</u>	(4,056,968)

Bond issuance is reported as another financing source in the governmental funds; it is not revenue in the statement of activities	(6,495,000)
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Underwriter's premiums and deferred charges reported as revenues and expenditures in the funds and amortized in the statement of activities	103,679
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Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	22,768
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Repayment of bond and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	10,516,519
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Early retirement incentives are recorded in the statement of activities when incurred; they are not reported in the governmental funds until paid	1,268,624
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Compensated absences, as well as estimated self-insured liability claims, are recorded when earned or incurred in the statement of activities. In the current year, certain liabilities were reduced by the collective bargaining agreement	<u>(552,278)</u>
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**Change in Net Assets of Governmental Activities** \$ 3,347,660

# School District of the City of Dearborn, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2008

	Henry Ford Community College	Component Unit - Henry Ford Community College Foundation
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 21,254,387	\$ 862,874
Investments (Note 3)	-	5,889,960
Receivables - Net (Note 4):		
Accounts and grants	6,241,641	6,231
Contributions	-	75,484
Taxes	545,763	-
Due from other governmental units	3,731,654	-
Due to other funds (Note 6)	(1,039,988)	-
Inventories	919,198	-
Prepaid costs	961,415	4,815
Total current assets	32,614,070	6,839,364
<b>Restricted Assets</b> (Note 10)	2,432,983	90,000
<b>Capital Assets</b> - Net (Note 5)	61,133,699	227,000
Total assets	<u><u>\$ 96,180,752</u></u>	<u><u>\$ 7,156,364</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,356,359	\$ 19,949
Scholarships payable	-	25,499
Accrued payroll and other liabilities	2,030,581	-
Deferred revenue	2,603,127	-
Deposits held for others	143,328	-
Current portion of long-term liabilities (Note 7)	4,040,561	-
Total current liabilities	10,173,956	45,448
<b>Long-term Liabilities</b> - Net of current portion (Note 7)	26,274,302	-
Total liabilities	36,448,258	45,448
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	36,101,271	-
Restricted:		
Capital projects	2,432,983	-
Loans	10,460	-
Temporarily - Component unit	-	2,421,869
Permanently - Component unit	-	2,750,477
Unrestricted (Note 14)	21,187,780	1,938,570
Total net assets	59,732,494	7,110,916
Total liabilities and net assets	<u><u>\$ 96,180,752</u></u>	<u><u>\$ 7,156,364</u></u>

# School District of the City of Dearborn, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Henry Ford Community College	Component Unit - Henry Ford Community College Foundation
<b>Operating Revenue</b>		
Tuition and fees - Net of scholarship allowance of \$18,174,106	\$ 20,395,910	\$ -
Federal grants	2,318,109	-
State and local grants and gifts	3,459,572	516,084
Auxiliary enterprises	8,151,899	-
Miscellaneous	2,114,611	233,324
Total operating revenue	36,440,101	749,408
<b>Operating Expenses</b>		
Instruction	37,247,644	-
Instructional support	7,219,701	236,371
Student services	9,044,330	326,563
Institutional administration	5,027,825	233,324
Information technology	7,305,057	-
Physical plant operations	8,134,088	-
Auxiliary enterprises	7,192,657	-
Repairs and maintenance	179,353	-
Depreciation expense	3,340,873	-
Total operating expenses	84,691,528	796,258
<b>Operating (Loss) Income</b>	(48,251,427)	(46,850)
<b>Nonoperating Revenue (Expenses)</b>		
Federal grants	17,693,111	-
State appropriations	22,372,300	-
Property taxes	16,457,352	-
Investment income (expense)	1,102,497	(1,375,534)
Interest on capital asset-related debt expenses	(962,360)	-
Net nonoperating revenue (expense)	56,662,900	(1,375,534)
<b>Increase (Decrease) in Net Assets</b>	8,411,473	(1,422,384)
<b>Net Assets - Beginning of year, as restated (Note 15)</b>	51,321,021	8,533,300
<b>Net Assets - End of year</b>	<b>\$ 59,732,494</b>	<b>\$ 7,110,916</b>

# School District of the City of Dearborn, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Henry Ford Community College	Component Unit - Henry Ford Community College Foundation
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 19,865,616	\$ -
Grants, contracts, and gifts	5,040,818	281,530
Payments to suppliers	(40,293,525)	(215,466)
Payments to employees	(41,854,550)	-
Payments to educational scholarship and special program funds	-	(488,923)
Collection of loans from students - Net of loans issued	4,368	-
Auxiliary enterprise charges	8,151,899	-
Other	2,114,610	332,423
Net cash used in operating activities	(46,970,764)	(90,436)
<b>Cash Flows from Noncapital Financing Activities</b>		
Local property taxes	14,393,155	-
Pell grant revenue	17,693,111	-
William D. Ford direct lending receipts	28,894,931	-
William D. Ford direct lending disbursements	(29,992,573)	-
State appropriations	19,855,408	-
Net cash provided by noncapital financing activities	50,844,032	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(12,331,256)	-
Principal paid on capital debt	(2,217,687)	-
Proceeds from issuance of debt	12,350,000	-
Property tax collections	1,994,129	-
Permanently restricted contributions	-	57,106
Interest paid on capital debt	(882,222)	-
Net cash (used in) provided by capital and related financing activities	(1,087,036)	57,106
<b>Cash Flows from Investing Activities</b>		
Interest on investments	1,102,498	444,825
Purchase of investments	-	(3,166,832)
Proceeds from sale of investments	-	2,145,556
Net cash provided by (used in) investing activities	1,102,498	(576,451)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,888,730	(609,781)
<b>Cash and Cash Equivalents - Beginning of year</b>	19,798,640	1,472,655
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 23,687,370</b>	<b>\$ 862,874</b>
<b>Supplemental Cash Flow Information</b>		
Cash and cash equivalents	\$ 21,254,387	\$ 862,874
Restricted assets	2,432,983	-
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 23,687,370</b>	<b>\$ 862,874</b>



# School District of the City of Dearborn, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2008

	Henry Ford Community College	Component Unit - Henry Ford Community College Foundation
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>		
Operating (loss) income	\$ (48,251,427)	\$ (46,850)
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation	3,340,873	-
Permanently restricted contributions	-	(57,106)
Bad debt expense	1,075,268	-
(Increase) decrease in assets:		
Accounts receivable	(1,670,965)	3,994
Contributions receivable	-	(24,812)
Federal and state grant receivable	(599,097)	-
Inventories	(13,875)	-
Prepaid assets and other current assets	896,706	(4,815)
Due from other funds of DPS	1,158,221	-
Loans to students	4,368	-
Increase (decrease) in liabilities:		
Accounts payable	77,950	17,858
Scholarships payable	-	21,295
Accrued payroll and other compensation	(285,655)	-
Other accrued liabilities	(2,621,089)	-
Deposits	(5,311)	-
Government grants refundable	(4,368)	-
Unearned tuition and fees	(72,363)	-
Net cash used in operating activities	<u>\$ (46,970,764)</u>	<u>\$ (90,436)</u>

There were no noncash capital and noncapital financing activities or investing activities for the year ended June 30, 2008.

# School District of the City of Dearborn, Michigan

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## Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2008

	Student Activities Agency Fund
<b>Assets</b> - Cash and investments (Note 3)	<b>\$ 123,219</b>
<b>Liabilities</b> - Due to student/recipient groups	<b>\$ 123,219</b>

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the School District of the City of Dearborn, Michigan (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The School District includes the operations related to preschool through grade twelve (the "P-12") and Henry Ford Community College (the "College"). The following is a summary of the significant accounting policies used by the School District:

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District.

**Component Unit** - Henry Ford Community College Foundation (the "Foundation") was organized to develop fund-raising programs and events and administer the resulting assets, in order to provide scholarships to students and other financial assistance to Henry Ford Community College's special programs and department projects. The Foundation is discretely reported as part of the School District's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support to the College. Audited financial statements of the Foundation may be obtained by contacting the Foundation at 5101 Evergreen Road, Dearborn, Michigan 48128.

#### **District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School District and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All P-12 activities are classified as governmental-type activities and all College and component unit activities are classified as business-type activities.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-wide Financial Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to November 30, 1989 are generally followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The School District has elected not to follow private sector guidance issued after November 30, 1989 for its proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between business-type and governmental activities, where eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

# **School District of the City of Dearborn, Michigan**

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## **Notes to Financial Statements June 30, 2008**

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Fund Financial Statements**

Governmental funds are those funds through which P-12 functions are financed. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the P-12 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other governmental fund revenue items are considered to be available only when cash is received by the P-12.

The proprietary funds are where the College and component unit functions are reported and the fiduciary funds are used to account for assets held by the P-12 in a trustee capacity or as an agent. The proprietary funds and fiduciary funds statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. As discussed above, this means that private sector standards of accounting issued prior to November 30, 1989 generally are followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The School District has elected not to follow private sector guidance issued after November 30, 1989 for its proprietary funds. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The College's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statement No. 34, including state appropriations, property taxes, grants, and investment income.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### Note I - Summary of Significant Accounting Policies (Continued)

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the P-12's primary operating fund. It accounts for all financial resources of the P-12, except those required to be accounted for in another fund.

**2007 Athletic Bond Fund** - The 2007 Athletic Bond Fund is used to record bond proceeds or other revenue and the disbursement of monies specifically designated for improving athletic facilities. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified P-12 purposes. The Special Revenue Funds maintained by the P-12 include the Cafeteria Fund, Athletic Fund, Adult Education Fund, and Center Program. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for the funding and payment of principal, interest, and related costs on long-term debt for the P-12.

**Capital Projects Funds** - Capital Projects Funds are used to account for the receipt and disbursement of proceeds from bond issues or other revenues specifically designated for certain capital expenditures of the P-12.

**Fiduciary Funds** - Fiduciary funds are used to account for assets held by the P-12 in a trustee capacity or as an agent. Fiduciary funds net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature and do not involve measurement of results of operations. The P-12 presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the district-wide financial statements as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Accounts and grants receivable consist of amounts due from the State of Michigan for state appropriations and due from federal, state, and local governments in connection with the reimbursement of allowable expenditures made pursuant to the School District's grants and contracts. Accounts receivable also include tuition and fee charges to students and other third parties and auxiliary enterprise services provided to students, faculty, and staff.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Food Services Fund is recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. Cash held in Debt Service Funds is restricted for bond repayment. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental or business-type activities column in the district-wide financial statements. Capital assets are defined by the P-12 as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of one year. The College's capitalization policy includes all items with a cost of \$1,000 or more, and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Buildings improvements	50 years
Land improvements	25 years
Equipment, vehicles, and furniture	8 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts.



# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave) and Early Retirement Benefits** - The liability for compensated absences reported in the district-wide and proprietary fund statements consists of earned but unused accumulated vacation and sick leave benefits and severance agreements. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

A liability for early termination benefits is reported in the district-wide statements at the discounted present value of the expected future benefit payments using a discount rate of 5 percent. The early termination benefits consist of early retirement incentive cash payments provided to approximately 100 employees over a three-year period. The cost of the obligation is reported in long-term debt.

**Long-term Obligations** - In the district-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and bond issuance costs. Issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Scholarship Discounts and Allowances** - Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the proprietary funds statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**College Deferred Revenue** - Revenue received prior to year end that is related to the next fiscal period is recorded as deferred revenue. This includes \$1,287,434 for the fall semester and \$852,214 of unearned revenue on the summer semester, which began in July 2008 and ends in August 2008.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General, proprietary, and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The budget was amended during the year in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not reported as reservations of fund balance because they are considered lapsed at year end and reappropriated in the following budget year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the School District incurred expenditures in excess of budgeted amounts related to support services.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Fund Deficits** - The School District has an accumulated fund balance deficit in the Center Program Fund.

**Capital Projects Fund Compliance** - The Capital Projects Funds includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

### Note 3 - Deposits and Investments

State statutes (and the School District's investment policy) authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated five banks and credit unions for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$25,107,657 had \$24,507,657 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investments	Fair Value	Maturities	Rating	Rating Organization
Comerica Governmental Cash Investment Fund	\$ 10,423,315	N/A	A1/P1/F1	N/A
JP Morgan Michigan School District Money Market Fund	<u>477,514</u>	N/A	Not rated	Not rated
Total investments	<u>\$ 10,900,829</u>			

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District's investments are invested with certain investment pools.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

**Component Unit** - Investments are presented in the financial statements at fair market value and are comprised of various mutual funds and trusts that hold equities, real estate, and fixed income securities. Unrealized gains or losses are reported as changes in net assets in the statement of activities and changes in net assets. Realized gains or losses on investments are recorded upon sale and are determined based on specific identification.

### Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the School District's individual major funds and the nonmajor funds, in the aggregate, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Nonmajor Governmental Funds	Proprietary Fund	Component Unit	Total
Receivables:					
Taxes	\$ 18,569	\$ 17,285	\$ 545,763	\$ -	\$ 581,617
Accounts, grants, and other	4,653,136	77,605	7,316,641	81,715	12,129,097
Intergovernmental	21,699,463	-	3,731,654	-	25,431,117
Less allowance for uncollectibles	-	-	(1,075,000)	-	(1,075,000)
Net receivables	<u>\$ 26,371,168</u>	<u>\$ 94,890</u>	<u>\$ 10,519,058</u>	<u>\$ 81,715</u>	<u>\$ 37,066,831</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Governmental activities - Tuition and state grant monies received prior to meeting all eligibility requirements	\$ -	\$ 1,246,364
Business-type activities - Tuition and grant revenue	-	2,603,127
Total	<u>\$ -</u>	<u>\$ 3,849,491</u>

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 5 - Capital Assets

A summary of changes in the capital assets of governmental activities follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 11,423,864	\$ -	\$ -	\$ 11,423,864
Construction in progress	-	923,297	-	923,297
Subtotal	11,423,864	923,297	-	12,347,161
Capital assets being depreciated:				
Buildings	108,700,074	-	-	108,700,074
Building improvements	125,898,929	2,510,332	-	128,409,261
Land improvements	-	2,760,327	-	2,760,327
Buses and other vehicles	8,727,194	37,685	-	8,764,879
Equipment and other	28,406,170	-	-	28,406,170
Subtotal	271,732,367	5,308,344	-	277,040,711
Accumulated depreciation:				
Buildings	22,993,963	1,666,595	-	24,660,558
Building improvements	13,299,967	2,628,296	-	15,928,263
Land improvements	-	55,207	-	55,207
Buses and other vehicles	5,296,064	750,456	-	6,046,520
Equipment and other	2,672,501	5,188,055	-	7,860,556
Subtotal	44,262,495	10,288,609	-	54,551,104
Net capital assets being depreciated	227,469,872	(4,980,265)	-	222,489,607
Net governmental capital assets	\$ 238,893,736	\$ (4,056,968)	\$ -	\$ 234,836,768

Depreciation for the fiscal year ended June 30, 2008 amounted to \$10,288,609 for governmental capital assets. The P-12 determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 5 - Capital Assets (Continued)

A summary of changes in the capital assets of business-type activities follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 1,961,038	\$ 1,521,398	\$ -	\$ 3,482,436
Construction in progress	447,279	191,410	-	638,689
Subtotal	2,408,317	1,712,808	-	4,121,125
Capital assets being depreciated:				
Land improvements	90,653	385,840	-	476,493
Buildings	74,633,880	7,978,602	-	82,612,482
Building improvements	2,487,245	220,047	-	2,707,292
Furniture and library books	1,164,210	114,459	-	1,278,669
Equipment and other vehicles	11,415,304	1,919,500	-	13,334,804
Subtotal	89,791,292	10,618,448	-	100,409,740
Accumulated depreciation:				
Land improvements	18,063	18,082	-	36,145
Building	29,631,815	1,700,358	-	31,332,173
Building improvements	1,618,690	234,995	-	1,853,685
Furniture and library books	633,907	97,578	-	731,485
Equipment and other vehicles	8,153,818	1,289,860	-	9,443,678
Subtotal	40,056,293	3,340,873	-	43,397,166
Net capital assets being depreciated	49,734,999	7,277,575	-	57,012,574
Net business-type activity assets	\$ 52,143,316	\$ 8,990,383	\$ -	\$ 61,133,699

The component unit, Henry Ford Community College Foundation, has an art collection appraised at \$227,000.

Depreciation for the fiscal year ended June 30, 2008 amounted to \$3,340,873 for business-type capital assets.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 5 - Capital Assets (Continued)

**Construction Commitments** - The School District has active construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2007 Athletic Bond	\$ 965,863	\$ 4,652,903

### Note 6 - Interfund Receivables, Payables, and Transfers

The following are the interfund receivables at June 30, 2008:

Fund Due To	Fund Due From		
	General Fund	Other Nonmajor Governmental Funds	Total
2007 Athletic Bond Fund	\$ 33,020	\$ -	\$ 33,020
General Fund	-	280,657	280,657
Nonmajor fund	1,964,137	-	1,964,137
Total	<u>\$ 1,997,157</u>	<u>\$ 280,657</u>	<u>\$ 2,277,814</u>

Interfund balances represent routine and temporary cash flow assistance from one fund to another until amounts are transferred from fund investment accounts.

The following are the interfund transfers for the year ended June 30, 2008:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Other nonmajor governmental funds	\$ 6,554,309
Other nonmajor governmental funds	General Fund	1,531,015
2007 Athletic Bond	Other nonmajor governmental funds	45,281
Total transfers		<u>\$ 8,130,605</u>

The transfers from the General Fund subsidized operations in the Athletics, General Building and Site Maintenance Fund, and the Fordson Field Capital Improvements Fund. The transfer from the General Fund to the Debt Service Fund is to reimburse debt expenditures made on behalf of the General Fund.



# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The transfer from other nonmajor governmental funds to the General Fund is for reimbursement of current year indirect costs.

The transfer from the 2007 Athletic Bond Fund to the Debt Service Fund is to reimburse interest and premium payments made on behalf of the 2007 Athletic Bond Fund.

### Note 7 - Long-term Obligations

Long-term obligations of the School District and changes therein for the year ended June 30, 2008 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds	\$ 170,732,697	\$ 6,495,000	\$ 10,264,297	\$ 166,963,400	\$ 11,003,455
Less deferred amounts:					
Issuance premiums	5,543,383	-	451,735	5,091,648	451,734
Cost of issuance and underwriter's discount	(4,863,071)	-	(348,056)	(4,515,015)	(348,055)
Total bonds payable	171,413,009	6,495,000	10,367,976	167,540,033	11,107,134
Installment purchase agreements	1,257,222	-	252,222	1,005,000	235,000
Severance payable	2,733,144	-	1,268,624	1,464,520	1,464,520
Compensated absences	550,532	26,667	-	577,199	-
Risk management and claims (Note 9)	2,256,252	13,193,233	12,667,622	2,781,863	2,781,863
Total governmental activities	<u>\$ 178,210,159</u>	<u>\$ 19,714,900</u>	<u>\$ 24,556,444</u>	<u>\$ 173,368,615</u>	<u>\$ 15,588,517</u>
<b>Business-type activities:</b>					
Bonds	\$ 17,478,494	\$ 12,350,000	\$ 1,990,659	\$ 27,837,835	\$ 2,376,501
Less deferred amounts:					
Bond refunding charge	(234,071)	-	(34,848)	(199,223)	-
Issuance discounts	(51,639)	(154,375)	(12,966)	(193,048)	-
Issuance premiums	263,774	-	39,889	223,885	-
Cost of issuance and underwriter's discount	(126,165)	(100,249)	(22,374)	(204,040)	-
Total bonds payable	17,330,393	12,095,376	1,960,360	27,465,409	2,376,501
Notes payable	2,704	-	2,704	-	-
Severance and other obligations	3,107,223	-	1,374,498	1,732,725	547,331
Risk management (Note 9)	912,666	5,762,077	5,558,014	1,116,729	1,116,729
Total business-type activities	<u>\$ 21,352,986</u>	<u>\$ 17,857,453</u>	<u>\$ 8,895,576</u>	<u>\$ 30,314,863</u>	<u>\$ 4,040,561</u>

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Obligations (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 11,238,455	\$ 7,393,484	\$ 18,631,939	\$ 2,376,501	\$ 1,195,534	\$ 3,572,035
2010	11,637,998	6,985,094	18,623,092	2,471,966	1,115,612	3,587,578
2011	12,063,341	6,527,391	18,590,732	2,586,613	1,017,550	3,604,163
2012	12,568,545	6,000,059	18,568,604	2,726,408	914,208	3,640,616
2013	12,896,271	5,411,260	18,307,531	2,808,681	789,616	3,598,297
2014-2018	63,243,790	18,186,933	81,430,723	6,092,666	2,535,815	8,628,481
2019-2023	43,620,000	4,937,583	48,557,583	2,500,000	1,803,281	4,303,281
2024-2028	700,000	35,000	735,000	3,150,000	1,204,181	4,354,181
2029-2032	-	-	-	3,125,000	385,938	3,510,938
Total	<u>\$ 167,968,400</u>	<u>\$ 55,476,804</u>	<u>\$ 223,445,204</u>	<u>\$ 27,837,835</u>	<u>\$ 10,961,735</u>	<u>\$ 38,799,570</u>

General obligation bonds and notes payable and installment purchase agreements consist of the following:

	Allocated to	
	Governmental Activities	Business-type Activities
\$11,585,000 refunding bonds, due in annual installments of \$920,000 to \$1,075,000 through May 1, 2014, interest at 4.50 percent to 4.90 percent	\$ 5,710,200	\$ 429,800
\$1,500,000 Michigan Municipal Bond Authority Bonds, due in annual installments of \$75,000 to \$120,000 through April 1, 2017, interest at 4.00 percent to 4.95 percent	-	905,000
\$5,020,000 serial bonds, due in annual installments of \$100,000 to \$625,000 through May 1, 2016, interest at 3.65 percent to 5.00 percent	-	4,100,000

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Obligations (Continued)

	Allocated to	
	Governmental Activities	Business-type Activities
\$97,680,000 serial bonds, due in annual installments of \$4,100,000 to \$4,425,000 through May 1, 2012, interest at 4.00 percent to 5.00 percent	\$ 17,025,000	\$ -
\$44,305,000 serial bonds, due in annual installments of \$1,075,000 to \$2,475,000 through May 1, 2013, interest at 3.25 percent to 5.00 percent	9,325,000	-
\$49,280,000 refunding bonds, due in annual installments of \$4,430,000 to \$4,880,000 through May 1, 2014, interest at 3.00 percent to 5.00 percent	19,506,650	8,388,035
\$7,020,000 refunding bonds, due in annual installments of \$245,000 to \$1,100,000 through May 1, 2014, interest at 2.70 percent to 3.30 percent	1,595,000	1,665,000
\$8,385,000 serial bonds, due in annual installments of \$200,000 to \$700,000 through May 1, 2024, interest at 3.375 percent to 5.00 percent	7,800,000	-
\$3,575,000 serial bonds, due in a lump-sum payment of \$3,575,000 on May 1, 2014	3,575,000	-
\$881,550 serial bonds, due in a lump-sum payment of \$881,550 on August 28, 2016	881,550	-
\$4,615,000 energy limited tax general obligation bonds, due in annual installments of \$395,000 to \$550,000 through May 1, 2017, interest at 4.00 percent to 5.50 percent	4,235,000	-

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 7 - Long-term Obligations (Continued)

	Allocated to	
	Governmental Activities	Business-type Activities
\$12,350,000 facilities bonds, due in annual installments of \$300,000 to \$825,000 through May 1, 2032, interest at 4.00 percent to 4.875 percent	\$ -	\$ 12,350,000
\$995,000 serial bonds, due in annual installments of \$75,000 to \$110,000 through May 1, 2018, interest at 4.25 percent to 4.375 percent	925,000	-
\$5,500,000 serial bonds, due in annual installments of \$400,000 to \$725,000 through May 1, 2018, interest at 3.75 percent to 4.00 percent	5,500,000	-
Total bonded debt	<u>\$ 76,078,400</u>	<u>\$ 27,837,835</u>
\$2,200,000 energy conservation installment purchase agreement, due in annual installments of \$235,000 to \$265,000 through May 1, 2012, interest at 4.5 percent	<u>\$ 1,005,000</u>	<u>\$ -</u>

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$131,021,000 of bonds outstanding are considered defeased.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### Note 8 - Retirement Plan

#### Defined Benefit Pension Plan

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 11.19 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 10.17 percent for the period from October 1, 2007 through June 30, 2008. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were \$16,556,869, \$16,532,429, and \$14,547,480, respectively.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2008

### Note 8 - Retirement Plan (Continued)

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 6.55 percent for the period from October 1, 2007 through June 30, 2008. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2008, 2007, and 2006 were \$10,425,356, \$10,009,946, and \$10,141,221, respectively.

#### Defined Contribution Plan

Existing professional MPSERS members and new professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP plan is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under the ORP, the percentage contributed by the College is 12 percent for the years ended June 30, 2008 and 2007. The payroll for the College's employees covered by the optional plan was \$4.5 million and \$4.4 million for fiscal years 2008 and 2007, respectively. College contributions were made in the amount required by the plan and totaled \$540,289 and \$530,871 for the fiscal years 2008 and 2007, respectively. Under the ORP plan, employees may contribute 4 percent of gross wages in addition to the College's contribution.

### Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The P-12 participates in the Metropolitan Association for Improved School Legislation (risk pool) for claims relating to property coverage and general liability; the School District is uninsured for medical, dental, vision, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 9 - Risk Management (Continued)

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

For risk retention situations (other than commercial coverage or risk-sharing pools), the School District estimates the liability for medical, dental, workers' compensation, and vision claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2008	2007
Estimated liability - Beginning of year	\$ 3,168,918	\$ 4,042,776
Estimated claims incurred - Including changes in estimates	18,955,310	15,362,903
Claim payments	(18,225,636)	(16,236,761)
Estimated liability - End of year	<u>\$ 3,898,592</u>	<u>\$ 3,168,918</u>

**Property and General Liability** - The P-12 and the College have limited-risk management programs for property coverage and general liability. Risk management pool assets are held and administered by the Metropolitan Association for Improved School Legislation for the P-12 and by the Michigan Community College Risk Management Authority for the College. Premiums are paid by the P-12's General Fund and are available to pay claims, claim reserves, and administrative costs of the program. Premiums are paid by the College and are available to pay claims, claim reserves, and administration costs of the program up to a maximum of \$15,000 per claim or up to \$45,000 per year. During fiscal year 2008, approximately \$589,000 and \$305,000 was paid in premiums by the P-12 and the College, respectively. An excess insurance policy covers individual claims in excess of \$1,000 for the P-12 and \$10,000 for the College.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 9 - Risk Management (Continued)

**Medical** - The self-insured medical plan covers approximately 55 percent of the School District's employees and their dependents. Claims are funded by the School District and paid by the plan administrator up to a maximum of \$200,000 per eligible person per calendar year. An insurance policy covers aggregate claims in excess of 120 percent of normal projected annual claims. The School District pays all administrative costs of the plan. During fiscal year 2008, \$15,373,617 was charged to expense relating to these benefits, including claims incurred but not reported.

**Dental** - The self-insured dental plan covers all employees. Claims are funded by the School District and paid by the plan administrator. The School District pays all administrative costs of the plan. During fiscal year 2008, \$2,275,339 was charged to expense relating to these benefits, including claims incurred but not reported.

**Vision** - The self-insured vision plan covers all employees. Claims are funded by the School District and paid by the plan administrator, and average approximately \$225 per eligible person per calendar year. The School District pays all administrative costs of the plan. During fiscal year 2008, \$358,185 was charged to expense relating to these benefits, including claims incurred but not reported.

**Workers' Compensation** - The self-insured workers' compensation plan covers all employees. Claims are funded by the School District and paid by the plan administrator. An insurance policy covers claims in excess of \$300,000 per occurrence. During fiscal year 2008, \$308,345 was charged to expense relating to these benefits, including claims incurred but not reported.

### Note 10 - Restricted Assets

The balance of the restricted asset accounts is as follows:

	Governmental Activities	Business-type Activities	Component Unit
Unspent bond proceeds and related interest	\$ 5,408,517	\$ 2,432,983	\$ -
Debt Service Fund	999,093	-	-
Charitable remainder trust	-	-	90,000
Total	<u>\$ 6,407,610</u>	<u>\$ 2,432,983</u>	<u>\$ 90,000</u>



# **School District of the City of Dearborn, Michigan**

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## **Notes to Financial Statements June 30, 2008**

### **Note 11 - Contingent Liabilities**

In the normal course of its activities, the School District is a party to various legal actions. It is the opinion of School District officials that potential claims in excess of insurance coverage resulting from pending litigation will not have a material effect on the financial statements and no reserves for losses are accrued.

### **Note 12 - Henry Ford Community College Foundation**

Henry Ford Community College Foundation was organized to develop fund-raising programs and events and to administer the resulting assets, in order to provide scholarships to students and other financial assistance to Henry Ford Community College's special programs and department projects.

The Internal Revenue Service has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified.

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for specified purposes. Investment earnings available for distribution are recorded as temporarily restricted net assets, as the donors have imposed purpose restrictions on the earnings.

The College assumes the liability for the salaries of the Foundation's employees and certain general and administrative expenses. Expenses assumed by the College were \$233,324 for the year ended June 30, 2008.

### **Note 13 - Subsequent Event**

Subsequent to year end, the College offered an early retirement incentive program to certain staff. Incentive payments for electing staff are estimated to be \$1,366,000 and will be paid over a period of five years.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2008

### Note 14 - Designated Net Assets

Designated net assets in the proprietary funds at June 30, 2008 are as follows:

	General Fund	Designated Fund	Plant Funds
Employee contracts and retirement agreements	\$ 2,566,000	\$ -	\$ -
Technology improvements	-	1,236,534	-
Capital improvements	-	-	11,500,000
Total	<u>\$ 2,566,000</u>	<u>\$ 1,236,534</u>	<u>\$ 11,500,000</u>

### Note 15 - Prior Period Adjustment - Component Unit

An art collection donated to the Foundation during the year ended June 30, 2006 has been restated to correct an error in the valuation resulting in a decrease to unrestricted net assets of \$415,000. Beginning net assets for the year ended June 30, 2008 have been adjusted accordingly.

## **Required Supplemental Information**

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# School District of the City of Dearborn, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Property taxes	\$ 55,976,347	\$ 55,638,908	\$ 55,613,282	\$ (25,626)
Investment income	250,000	493,033	507,629	14,596
Tuition and other local revenue	1,202,500	996,509	2,518,469	1,521,960
State sources	114,693,649	110,575,175	111,699,478	1,124,303
Incoming transfers from other districts	1,395,123	1,799,786	364,878	(1,434,908)
Restricted federal and state grants	13,000,000	22,336,612	23,336,313	999,701
Total revenue	186,517,619	191,840,023	194,040,049	2,200,026
<b>Expenditures - Current</b>				
Instruction	109,016,834	112,195,536	112,214,151	18,615
Support services	71,149,763	74,029,728	76,554,173	2,524,445
Capital outlay	1,254,080	565,736	644,180	78,444
Outgoing transfers to other school districts	113,775	47,122	-	(47,122)
Total expenditures	181,534,452	186,838,122	189,412,504	2,574,382
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,127,733	1,650,000	1,531,015	(118,985)
Transfers out	(6,669,051)	(6,650,000)	(6,554,309)	(95,691)
Total other financing sources (uses)	(5,541,318)	(5,000,000)	(5,023,294)	23,294
<b>Net Change in Fund Balance</b>	(558,151)	1,901	(395,749)	(397,650)
<b>Fund Balance - July 1, 2007</b>	10,921,887	10,921,887	10,921,887	-
<b>Fund Balance - June 30, 2008</b>	<u>\$ 10,363,736</u>	<u>\$ 10,923,788</u>	<u>\$ 10,526,138</u>	<u>\$ (397,650)</u>

## **Other Supplemental Information**

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# School District of the City of Dearborn, Michigan

		Special Revenue Funds			
		Cafeteria	Athletics	Adult Education	Center Program
<b>Assets</b>					
Cash and investments	\$	614,505	\$ 1,043	\$ 287,875	\$ -
Property taxes receivable		-	-	-	-
Accounts and grants receivable		-	-	75,700	-
Due from other funds		-	85,739	624,759	798,464
Inventories		86,547	-	-	-
Total assets	<b>\$</b>	<b>701,052</b>	<b>\$ 86,782</b>	<b>\$ 988,334</b>	<b>\$ 798,464</b>
<b>Liabilities and Fund Balances (Deficit)</b>					
<b>Liabilities</b>					
Accounts and contracts payable	\$	9,361	\$ 86,782	\$ 75,572	\$ 959,872
Accrued salary, wages, and fringe benefits payable		24,209	-	57,758	465,919
Deferred revenue		-	-	53,918	-
Due to other funds		280,657	-	-	-
Total liabilities		314,227	86,782	187,248	1,425,791
<b>Fund Balances (Deficit)</b>					
Reserved for inventories and prepaid costs		86,547	-	-	-
Reserved for debt service		-	-	-	-
Reserved for capital projects		-	-	-	-
Reserved for school services		300,278	-	801,086	(627,327)
Total fund balances (deficit)		386,825	-	801,086	(627,327)
Total liabilities and fund balances (deficit)	<b>\$</b>	<b>701,052</b>	<b>\$ 86,782</b>	<b>\$ 988,334</b>	<b>\$ 798,464</b>

**Other Supplemental Information**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2008**

Capital Projects Funds				
General Building and Site	Capital Projects Series II	2007 Fordson Field	Debt Service Funds	Total Nonmajor Funds
\$ 87,345	\$ 390,768	\$ -	\$ 999,093	\$ 2,380,629
-	-	-	17,285	17,285
-	-	-	1,905	77,605
325,706	129,319	-	150	1,964,137
-	-	-	-	86,547
<b>\$ 413,051</b>	<b>\$ 520,087</b>	<b>\$ -</b>	<b>\$ 1,018,433</b>	<b>\$ 4,526,203</b>
\$ 413,051	\$ -	\$ -	\$ -	\$ 1,544,638
-	-	-	-	547,886
-	-	-	-	53,918
-	-	-	-	280,657
413,051	-	-	-	2,427,099
-	-	-	-	86,547
-	-	-	1,018,433	1,018,433
-	520,087	-	-	520,087
-	-	-	-	474,037
-	520,087	-	1,018,433	2,099,104
<b>\$ 413,051</b>	<b>\$ 520,087</b>	<b>\$ -</b>	<b>\$ 1,018,433</b>	<b>\$ 4,526,203</b>

# School District of the City of Dearborn, Michigan

	Special Revenue Funds			
	Cafeteria	Athletics	Adult Education	Center Program
<b>Revenue</b>				
Local:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Investment income	20,279	-	-	-
Tuition and other local revenue	4,053	-	2,128,653	-
Food service	1,917,111	-	-	-
Athletic gate receipts	-	130,468	-	-
Total local	1,941,443	130,468	2,128,653	-
State	285,308	-	466,553	2,745,979
Federal	3,143,529	-	-	-
Interdistrict - Incoming transfers from other districts	-	-	-	6,885,500
Total revenue	5,370,280	130,468	2,595,206	9,631,479
<b>Expenditures</b>				
Current:				
Adult education	-	-	2,349,558	-
Center program	-	-	-	8,477,044
Food service	5,208,832	-	-	-
Athletics	-	1,627,690	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal payments	-	-	-	-
Interest	-	-	-	-
Fees and other bond costs	-	-	-	-
Total expenditures	5,208,832	1,627,690	2,349,558	8,477,044
<b>Excess of Revenue Over (Under) Expenditures</b>	161,448	(1,497,222)	245,648	1,154,435
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of notes and bonds	-	-	-	-
Transfers in	-	1,497,222	-	-
Transfers out	(323,472)	-	(53,094)	(1,154,450)
Total other financing sources (uses)	(323,472)	1,497,222	(53,094)	(1,154,450)
<b>Net Change in Fund Balances</b>	(162,024)	-	192,554	(15)
<b>Fund Balances (Deficit) - Beginning of year</b>	548,849	-	608,532	(627,312)
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 386,825</u>	<u>\$ -</u>	<u>\$ 801,086</u>	<u>\$ (627,327)</u>



**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances (Deficit)**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2008**

Capital Projects Funds				
Building and Site	Capital Projects Series II	2007 Fordson Field	Debt Service Funds	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ 16,606,079	\$ 16,606,079
3,538	59,874	21,005	279,679	384,375
81,494	-	-	11,843	2,226,043
-	-	-	-	1,917,111
-	-	-	-	130,468
85,032	59,874	21,005	16,897,601	21,264,076
-	-	-	-	3,497,840
-	-	-	-	3,143,529
-	-	-	-	6,885,500
85,032	59,874	21,005	16,897,601	34,790,945
-	-	-	-	2,349,558
-	-	-	-	8,477,044
-	-	-	-	5,208,832
-	-	-	-	1,627,690
3,917,624	1,289,938	1,267,693	-	6,475,255
-	-	-	10,516,519	10,516,519
-	-	-	7,903,294	7,903,294
-	-	7,709	2,742	10,451
3,917,624	1,289,938	1,275,402	18,422,555	42,568,643
(3,832,592)	(1,230,064)	(1,254,397)	(1,524,954)	(7,777,698)
-	-	995,000	-	995,000
3,832,592	-	30,049	1,239,727	6,599,590
-	-	(2,714)	-	(1,533,730)
3,832,592	-	1,022,335	1,239,727	6,060,860
-	(1,230,064)	(232,062)	(285,227)	(1,716,838)
-	1,750,151	232,062	1,303,660	3,815,942
<u>\$ -</u>	<u>\$ 520,087</u>	<u>\$ -</u>	<u>\$ 1,018,433</u>	<u>\$ 2,099,104</u>

# School District of the City of Dearborn, Michigan

## Other Supplemental Information Combining Statement of Net Assets - Proprietary Funds June 30, 2008

	Combined Total	General Fund	Auxiliary Services Fund	Designated Fund	Restricted Fund	Student Loan Fund	Agency Fund	Plant Funds
<b>Assets</b>								
<b>Current Assets</b>								
Cash and cash equivalents	\$ 21,254,387	\$ 9,570,642	\$ 30,189	\$ -	\$ 10,069	\$ -	\$ 143,487	\$ 11,500,000
Property taxes receivable	545,763	545,763	-	-	-	-	-	-
State appropriation receivable	3,731,654	3,731,654	-	-	-	-	-	-
Federal and state grants receivable	2,827,570	-	-	-	2,827,434	-	136	-
Accounts receivable	3,414,071	3,360,635	29,115	9,975	-	-	14,346	-
Due from other funds of the School District of Dearborn, Michigan	(1,039,988)	(2,467,218)	2,443,750	1,347,977	(2,366,817)	10,460	(8,140)	-
Inventories	919,198	-	919,198	-	-	-	-	-
Prepaid expenses and other assets	961,415	961,415	-	-	-	-	-	-
Total current assets	32,614,070	15,702,891	3,422,252	1,357,952	470,686	10,460	149,829	11,500,000
<b>Restricted Assets</b>	2,432,983	-	-	-	-	-	-	2,432,983
<b>Student Loans Receivable</b>	-	-	-	-	-	-	-	-
<b>Capital Assets - Net</b>	61,133,699	-	-	-	-	-	-	61,133,699
Total assets	<b>\$ 96,180,752</b>	<b>\$ 15,702,891</b>	<b>\$ 3,422,252</b>	<b>\$ 1,357,952</b>	<b>\$ 470,686</b>	<b>\$ 10,460</b>	<b>\$ 149,829</b>	<b>\$ 75,066,682</b>
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities</b>								
Accounts payable	\$ 1,356,359	\$ 1,349,190	\$ 2,167	\$ -	\$ 5,002	\$ -	\$ -	\$ -
Accrued payrolls, amounts withheld from employees, and other compensation	1,782,959	1,766,599	-	-	16,360	-	-	-
Deferred revenue	2,603,127	2,025,884	-	121,418	449,324	-	6,501	-
Due to other funds of the School District of Dearborn, Michigan	-	-	-	-	-	-	-	-
Deposits held for others	143,328	-	-	-	-	-	143,328	-
Other accrued liabilities	247,622	48,069	-	-	-	-	-	199,553
Current portion of note payable	-	-	-	-	-	-	-	-
Current portion of bonds payable	2,376,501	-	-	-	-	-	-	2,376,501
Current portion of risk management liability	1,116,729	1,116,729	-	-	-	-	-	-
Current portion of accrued vacation and severance liabilities	547,331	547,331	-	-	-	-	-	-
Total current liabilities	10,173,956	6,853,802	2,167	121,418	470,686	-	149,829	2,576,054
<b>Bonds Payable - Net of unamortized premium, discounts, and issuance costs</b>	25,088,910	-	-	-	-	-	-	25,088,910
<b>Accrued Vacation and Severance Pay</b>	1,185,392	1,185,392	-	-	-	-	-	-
Total liabilities	36,448,258	8,039,194	2,167	121,418	470,686	-	149,829	27,664,964
<b>Net Assets</b>								
Invested in capital assets - Net of related debt	36,101,271	-	-	-	-	-	-	36,101,271
Restricted for:								
Debt service	-	-	-	-	-	-	-	-
Capital projects	2,432,983	-	-	-	-	-	-	2,432,983
Loans	10,460	-	-	-	-	10,460	-	-
Unrestricted	21,187,780	7,663,697	3,420,085	1,236,534	-	-	-	8,867,464
Total net assets	59,732,494	7,663,697	3,420,085	1,236,534	-	10,460	-	47,401,718
Total liabilities and net assets	<b>\$ 96,180,752</b>	<b>\$ 15,702,891</b>	<b>\$ 3,422,252</b>	<b>\$ 1,357,952</b>	<b>\$ 470,686</b>	<b>\$ 10,460</b>	<b>\$ 149,829</b>	<b>\$ 75,066,682</b>

# School District of the City of Dearborn, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets - Proprietary Funds Year Ended June 30, 2008

	Combined Total	Eliminations	General Fund	Auxiliary Services Fund	Designated Fund	Restricted Fund	Student Loan Fund	Plant Funds
<b>Operating Revenue</b>								
Tuition and fees - Net of scholarship allowance of \$18,174,106	\$ 20,395,910	\$ (18,174,106)	\$ 37,881,536	\$ -	\$ 688,480	\$ -	\$ -	\$ -
Federal grants and contracts	2,318,109	-	-	-	-	2,318,109	-	-
State and local grants and contracts	3,459,572	-	-	-	66,500	3,317,970	-	75,102
Auxiliary activities	8,151,899	-	-	8,078,455	73,444	-	-	-
Other funds expenditures for capital assets	-	(2,430,605)	-	-	-	-	-	2,430,605
Miscellaneous	2,114,611	(52,468)	1,853,675	264	25,787	-	-	287,353
Total operating revenue	36,440,101	(20,657,179)	39,735,211	8,078,719	854,211	5,636,079	-	2,793,060
<b>Operating Expenses</b>								
Instruction	37,247,644	(718,978)	35,330,457	-	258,844	2,377,321	-	-
Instructional support	7,219,701	(645,643)	7,821,637	-	1,256	42,451	-	-
Student services	9,044,330	(18,694,843)	6,611,506	-	(510)	21,128,177	-	-
Institutional administration	5,027,825	(479,907)	5,334,855	-	-	172,877	-	-
Information technology	7,305,057	-	6,786,361	2,235	329,384	187,077	-	-
Physical plant operations	8,134,088	-	8,131,980	-	-	2,108	-	-
Auxiliary enterprises	7,192,657	(42,930)	-	7,235,587	-	-	-	-
Repairs and maintenance	179,353	(74,880)	6,534	55,181	191,421	-	-	1,097
Depreciation expense	3,340,873	-	-	-	-	-	-	3,340,873
Total operating expenses	84,691,528	(20,657,181)	70,023,330	7,293,003	780,395	23,910,011	-	3,341,970
<b>Operating Income (Loss)</b>	(48,251,427)	2	(30,288,119)	785,716	73,816	(18,273,932)	-	(548,910)
<b>Nonoperating Revenue (Expenses)</b>								
Federal grants and contracts	17,693,111	-	-	-	-	17,693,111	-	-
State appropriations	22,372,300	-	22,372,300	-	-	-	-	-
Property taxes	16,457,352	-	14,463,223	-	-	-	-	1,994,129
Investment income	1,102,497	-	1,102,497	-	-	-	-	-
Interest on capital asset-related debt	(962,360)	-	(180,403)	-	-	-	-	(781,957)
Principal payment of debt	-	-	(80,000)	-	-	-	-	80,000
Other nonoperating revenue	-	(2)	-	-	-	-	2	-
Net nonoperating revenue	56,662,900	(2)	37,677,617	-	-	17,693,111	2	1,292,172
<b>Increase (Decrease) in Net Assets</b>	8,411,473	-	7,389,498	785,716	73,816	(580,821)	2	743,262
<b>Transfers In (Out)</b>	-	-	(12,080,821)	-	-	580,821	-	11,500,000
<b>Net Increase (Decrease) in Net Assets</b>	8,411,473	-	(4,691,323)	785,716	73,816	-	2	12,243,262
<b>Net Assets - Beginning of year</b>	51,321,021	-	12,355,020	2,634,369	1,162,718	-	10,458	35,158,456
<b>Net Assets - End of year</b>	<u>\$ 59,732,494</u>	<u>\$ -</u>	<u>\$ 7,663,697</u>	<u>\$ 3,420,085</u>	<u>\$ 1,236,534</u>	<u>\$ -</u>	<u>\$ 10,460</u>	<u>\$ 47,401,718</u>

# School District of the City of Dearborn, Michigan

		2002 Site Bond (Series I)	2001 QZAB	2002 QZAB	2002 Site Bond (Series II)
June 30	1998 Refunding Principal	Principal	Principal	Principal	Principal
2009	\$ 855,600	\$ 4,100,000	\$ -	\$ -	\$ 1,075,000
2010	888,150	4,200,000	-	-	1,275,000
2011	948,600	4,300,000	-	-	2,175,000
2012	1,004,400	4,425,000	-	-	2,325,000
2013	1,013,700	-	-	-	2,475,000
2014	999,750	-	3,575,000	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	881,550	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
Total	<u>\$ 5,710,200</u>	<u>\$ 17,025,000</u>	<u>\$ 3,575,000</u>	<u>\$ 881,550</u>	<u>\$ 9,325,000</u>
Principal payments due	May 1	May 1	May 1	August 28	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	N/A	N/A	May 1 and November 1
Interest rate	4.25%-4.9%	4.0%-5.0%	0.0%	0.0%	3.5%-5.0%
Original issue	<u>\$ 10,774,050</u>	<u>\$ 97,680,000</u>	<u>\$ 3,575,000</u>	<u>\$ 881,500</u>	<u>\$ 44,305,000</u>

Note: This schedule reports the debt allocated to the P-12 only. Obligations of the College are excluded.

**Other Supplemental Information**  
**Schedule of Bonded Indebtedness (P-12)**  
**Year Ended June 30, 2008**

2003 Refunding	2002 Site Bond (Series III)	2004 Refunding (Series A)	2006 Energy	2007 Refunding	2007 Fordson Field	2007 Athletic
Principal	Principal	Principal	Principal	Principal	Principal	Principal
\$ 3,097,855	\$ 200,000	\$ 805,000	\$ 395,000	\$ -	\$ 75,000	\$ 400,000
3,104,848	225,000	790,000	415,000	-	80,000	415,000
3,209,741	225,000	-	430,000	-	85,000	435,000
3,304,145	250,000	-	450,000	-	85,000	455,000
3,377,571	300,000	-	470,000	4,650,000	90,000	520,000
3,412,490	350,000	-	485,000	7,660,000	95,000	585,000
-	500,000	-	510,000	9,365,000	100,000	605,000
-	550,000	-	530,000	9,465,000	100,000	640,000
-	575,000	-	550,000	9,660,000	105,000	720,000
-	600,000	-	-	9,790,000	110,000	725,000
-	625,000	-	-	9,940,000	-	-
-	650,000	-	-	10,085,000	-	-
-	675,000	-	-	10,145,000	-	-
-	675,000	-	-	10,125,000	-	-
-	700,000	-	-	-	-	-
-	700,000	-	-	-	-	-
<b>\$ 19,506,650</b>	<b>\$ 7,800,000</b>	<b>\$ 1,595,000</b>	<b>\$ 4,235,000</b>	<b>\$ 90,885,000</b>	<b>\$ 925,000</b>	<b>\$ 5,500,000</b>
May 1	May 1	May 1	May 1	May 1	May 1	May 1
May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
3.0%-5.0%	3.375%-5.0%	2.7%-3.3%	4.0% - 5.5%	4.125% - 5%	4.25% - 4.375%	4.125% - 5%
<b>\$ 34,461,049</b>	<b>\$ 8,385,000</b>	<b>\$ 4,735,000</b>	<b>\$ 4,615,000</b>	<b>\$ 90,885,000</b>	<b>\$ 995,000</b>	<b>\$ 5,500,000</b>